

## FINANCIAL TIMES

**HONG KONG**  
Emerging democracy  
worries Beijing  
Page 4

Tuesday January 28 1992

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## World News

## Ulster talks postponed until after UK election

Ulster's political leaders agreed to postpone talks on the province's future until after the UK general election.

The decision, taken after meeting Northern Ireland secretary Peter Brooke, could mean the end of Mr Brooke's efforts to reconcile Unionist and nationalist aspirations.

He is widely expected to leave the Northern Ireland office after the election. Page 7

**Seeking for Shamsir**  
Israeli prime minister Yitzhak Shamir gained sufficient parliamentary support for his minority government to allow him to keep control over the government in an early general election. Page 4

**AMC attacks de Klerk**  
Cyril Ramaphosa, secretary general of the African National Congress, criticised South African president F.W. de Klerk for taking no action against security force death squads.

**US team trapped**  
The inspectors, investigating Iraq's chemical and biological weapons stocks, were trapped in a bus by demonstrators outside the Sheraton hotel in Baghdad while police refused to intervene. The UN called the incident a clear Iraqi breach of UN resolutions.

**50 die in fighting**  
At least 50 people died in fresh fighting between Armenian and Azerbaijani militants over the disputed territory of Nagorno-Karabakh.

**US weapons cuts likely**  
The US is expected tomorrow to announce plans to cut production of weapons systems in response to the collapse of the Soviet Union. Page 5

**Aborigines protest**  
About 35 Aborigines occupied part of Australia's oldest parliament house in Canberra, calling for self-government for the country's original inhabitants.

**Freight disrupted**  
Customs brokers, who face redundancy when European Community frontier controls are abolished next year, claimed wide support for their one-day refusal to clear freight at many border crossings. Page 2

**Serbia hear UN plan**  
United Nations special envoy Marrack Goulding tried to persuade Serbian leaders from Croatia to accept a UN plan which provides for the withdrawal of the federal army from Croatia. Page 2

**France survives right**  
France's governing Socialist party was badly defeated in six by-elections. Page 2

**Train crash kills four**  
Two commuter trains crashed head-on near Rome during the evening rush hour, killing at least four passengers and injuring about 50.

**French to sign treaty**  
France is to sign the United Nations nuclear non-proliferation treaty which, it said, it had always supported. The treaty bans the transfer of nuclear technology. China is also ready to sign.

**Air crash prompts strike**  
Flights at the French domestic airline Air Inter are to strike for 24 hours on Thursday, according to the government of jumping to conclusions about the Airbus crash in eastern France which killed 57 people last week. Page 2

**Mrs Mugabe dies**  
Sally Mugabe, the Ghanaian-born wife of Zimbabwe president Robert Mugabe, died, aged 52. She was the secretary of the women's league in Mugabe's ruling Zanu-PF party.

## Business Summary

## HK banking commissioner alerted BCCI managers

The Hong Kong banking commissioner admitted warning managers of the local subsidiary of Bank of Credit and Commerce International to reduce their exposure to the parent company before the worldwide closure of BCCI on July 5.

The warnings followed earlier alerts arising from the late publication of BCCI's 1990 accounts. BCC Hong Kong reduced its lending to the rest of the group from \$757m at the end of 1989 to \$4m at June 30 1991. Page 16

**R.H. MACY**, New York-based department store chain, filed for Chapter 11 bankruptcy protection yesterday. Its problems stem from a debt load of nearly \$4m incurred in a 1986 leveraged buyout by senior managers, and the 1988 acquisition of the Bullock's and L. Magnin chains.

**GERMAN STEEL**: IG Metall union said ballot among 100,000 workers had so far produced a 90 per cent "yes" vote for strike action. Page 16

**FOREIGN EXCHANGE**: The dollar maintained its firm tone through European trading and gained ground in Tokyo following the release of a G7 communiqué reaffirming participants' desire for stable rates. Page 16

**CANADA** has frozen all discretionary government spending and public-sector hiring to contain a spiralling budget deficit to C\$1.5bn (\$27bn) in the year to March 31, and calm increasingly jittery foreign investors.

**MR YUTAKA KUME**, president of Nissan Motor, attacked Mr Jacques Chirac, chairman of Chrysler Motor, for his "outrageous and insulting" remarks. Page 16

**NESTLE**, Swiss food group, given a boost by French stock market authorities for its FF12.43bn (\$2.48bn) hostile takeover bid for Source Perrier, France's leading mineral water company. Page 17

**MOUNTLEIGH GROUP**, debt-laden UK property company, announced pre-tax losses of \$73.7m (\$131m) for the six months to October 31 and passed its interim dividend. Page 17; Lex, Page 16

**MERRELL LYNCH**, US securities house, unveiled full-year profits of \$96.1m, the highest in its history. Page 17

**MAXWELL** Four Maxwell pensions funds covering about 4,000 employees and managed by AGS Research, the UK's leading market research group, are to be wound up. Page 24

**VOLVO**, Sweden's largest industrial group, and Procordia, food and pharmaceuticals conglomerate, wait for reaction from Swedish government's privatisation commission on their proposed merger. Page 17

**RUSSIA** agreed to provide Poland with 7.5bn cubic metres of natural gas in 1992. This should guarantee gas supplies and get Polish heavy industry working again. Page 2

**IMF** is set to approve a \$2bn loan to Brazil and back President Fernando Collor de Mello's economic programme.

## Record exports boost hopes for UK economy

By Peter Marsh, Economics Staff, in London

THE British government was yesterday given fresh heart on the economy with news of record exports in the final quarter of last year.

Indications that UK exporters are continuing to find sales opportunities in a fragile world economy helped sentiment on the London stock market, where shares ended firmly higher.

A strengthening of sterling against a weak D-Mark also increased speculation that Mr Norman Lamont, the chancellor of the exchequer, might find room to cut UK interest rates before the budget on March 10 in a move which would help the government's chances in the general election the following month.

The developments gave Mr Lamont, who in recent weeks has been troubled by a weak pound and signs of continuing deep recession, his most heartening day on the economic front since Christmas.

According to the Government's Central Statistical Office, export volumes in the three months to December were up 0.5 per cent compared with the previous quarter, and 3 per cent higher than in the same period in 1990.

Last month, exports grew in value by 2.4 per cent compared with November to \$2bn, (\$18.5bn) while imports stayed little changed at \$2.5bn. According to the CSO, the trade deficit on the current account last month came out at \$388m, as against analysts' expecta-

Export sales help counter gloom .....Page 6  
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Currencies .....Page 38

tions of a \$500m deficit. In November, the figure was \$630m.

The figures helped to buoy the stock market, where the FT-SE 100 index of leading shares closed below the day's highs at 2,539.5, up 29.5. On currency markets, the pound climbed three-quarters of a penny against the D-Mark, trading in New York last night at DM2.8737.

Sterling remains only about half a penny above its theoretical floor in the European exchange rate mechanism (ERM) against the peseta, the strongest currency in the system. But it is far enough away from its D-Mark "lower floor" of DM2.78 for the government soon to start contemplating the possibility of a reduction in base rates. These have been stuck at 10.5 per cent for nearly five months, during which many politicians and industrialists have called for new cuts in borrowing costs to aid the recovery.

The good performance by UK exporters during 1991 was a big factor behind a fall in the current-account deficit for the whole of 1991 to \$2.8bn, from \$15.2bn in 1990. In the government's Autumn Statement in November, Mr Lamont had pre-

dicted a deficit of \$8.5bn.

Also contributing to the cut in the overall deficit was a sharp drop in imports, caused by low demand due to the recession. Although the CSO said import volumes between the third and fourth quarters of 1991 were virtually flat, providing little evidence that hints of recovery were stoking increased demand for imports - yesterday's figures encouraged hopes that good export growth during 1992 will aid the UK economy.

Despite signs of a puncturing in the general gloom about the economy over the past month, many investors remain cautious about the short-term outlook. Today's quarterly report on industrial trends by the Confederation of British Industry is expected to paint a downbeat picture of prospects over the next few months.

While the Treasury said the good export figures were "quite encouraging", the government's political opponents took the opportunity to highlight the size of the trade deficit, which both main opposition parties take to be a measure of economic weakness.

Mr Gordon Brown, the Labour trade and industry spokesman, said Britain was still firmly stuck in recession, with ministers paralysed by inaction, while the Liberal Democrats said: "An end-of-year deficit of (nearly) \$6bn during the deepest recession Britain has experienced since the war is disgraceful."



Israeli foreign minister David Levy (left) and Andrei Kosyrev, his Russian counterpart, during their meeting at the Foreign Ministry guesthouse in Moscow yesterday

## PLO demands jeopardise Mideast talks in Moscow

By Tony Walker in Moscow

LAST-MINUTE talks were being held last night to ensure the Middle East multinational forum due to open in Moscow today goes ahead as planned following demands by the Palestine Liberation Organisation for broader Palestinian representation.

US and Russian co-sponsors of the forum feared the issue of Palestinian representation could provoke a walkout by the Israeli delegation.

PLO calls for the Palestinian delegation in Moscow to include representatives from the diaspora, among them Jerusalem-born Palestinians, have cast a shadow over the

multilateral talks, the third stage of the latest Middle East peace effort launched in Madrid last October.

Seeking to downplay the argument, US and Soviet officials made it clear the Palestinian delegation must be restricted to the "Madrid formula" allowing only representatives from the West Bank and Gaza strip, occupied by Israel in the 1967 war.

A two-tier Palestinian delegation was due in Moscow last night. At the Madrid opening last October, the Palestinian team included representatives from east Jerusalem, but these did not participate directly in

the discussions with Israel. Representatives from about 18 countries, including permanent members of the United Nations Security Council, are expected to sit down today in Moscow's Hall of Unions to discuss such issues as regional disarmament, economic development, water and the environment.

Syria and Lebanon are boycotting the talks, claiming Israel has shown no commitment to a Middle East settlement based on the "land for peace" formula outlined in Security Council resolutions. Radical Palestinians have continued on Page 16

## Yeltsin cancels meetings and leaves Moscow

By John Lloyd in Moscow

RUSSIAN president Boris Yeltsin cancelled all engagements for yesterday and today and has abruptly left Moscow on what his aides described variously as "domestic business" and the need to prepare for a visit to Britain and the US later in the week.

Speculation that he might be ill - following recent reports of heart problems - was strongly denied by Mr Pavel Voshchakov, his press spokesman, who said: "The president is absolutely healthy and in excellent shape."

Mr Yeltsin's whereabouts were not made known, though officials promised a statement today. Senior Russian government officials said last night they had been given no further information. However, western diplomats said they were reassured by news that his foreign trip would go ahead.

Although it was not being suggested that his absence had any more ominous political explanation, the basis of Mr Yeltsin's departure was, if nothing else, being viewed last night as having been poorly handled in diplomatic terms.

Japanese officials were told on Sunday night that a meeting scheduled for yesterday with Mr Michio Watanabe, their foreign minister, had been cancelled without a new date being set. Mr Seiji Morimoto, the spokesman for the Japanese Foreign Ministry, said: "We were told that a meeting on Monday was impossible, and that perhaps the meeting would be possible at another time."

Japanese press reports yesterday had quoted unnamed

officials close to Mr Yeltsin as saying that he had a heart ailment. However, a Yeltsin aide told Japan's Kyodo news service that the president was suffering from a cold. Mr Yeltsin had also been due to participate in the opening day of the Middle East talks today.

His planned trip to the UK on Thursday to meet Mr John Major, the British prime minister, and then to New York to take part in the United Nations Security Council summit on Friday, was said yesterday by Russian and British officials to

be still on course. He is due to spend Saturday - his 61st birthday - at Camp David with US president George Bush.

His programme is normally crowded and often spread across a seven-day week. In recent weeks, he has travelled to the Urals, to the Volga region, to St Petersburg and Ryazan for speeches and to meet workers and shoppers - trips which saw him heckled for the first time since becoming president. Last Thursday he conducted a stormy meeting

of the cabinet of ministers, which he heads in addition to his presidential duties.

He accused his ministers of having launched the price liberalisation with inadequate preparation for social security for the people and with not enough goods in the shops.

He has been under growing pressure from former close allies such as Mr Alexander Rutskoi, the vice-president, and Mr Ruslan Khasbulatov, the chairman of the Russian parliament, for his insistence on price liberalisation.

## Lagardère plans merger of Hachette and Matra

By William Dawkins in Paris

MR Jean-Luc Lagardère, chairman of the Hachette publishing group and of Matra, the missiles and electronics maker, yesterday revealed plans to merge the two arms of his business empire.

"I am reflecting today on integrated financial structures which could unify the group without weakening control over it," he told La Tribune de l'Expansion, a French newspaper.

The plan, designed to allow cash to flow more freely between the two French publishing and electronics companies, received a sceptical response from analysts, who argued that it produced few clear benefits beyond making both companies possibly more resistant to hostile takeover than they already are. Both are majority controlled by Mr Lagardère and shareholders loyal to him.

The scheme would create a group with FF54.3bn (\$10.03bn) sales and FF1.1bn net profits based on their 1990 accounts, which showed group

net profits of FF498m on turnover of FF300m for Hachette and FF606m of profits on sales of FF243bn for Matra.

However, Hachette swung into loss in the first half of last year and faces heavy losses at La Cinq, its 25 per cent owned television station, which is seeking a rescue after filing for bankruptcy. Matra announced a steep profits decline over the same period, hit by falling demand for defence and telecommunications products.

"In these businesses, continuity, independence and long term strategy are indispensable and one cannot build in the fear of a hostile bid," said Mr Lagardère.

Once La Cinq's problems were settled, both companies would be very profitable, he said.

"The objective is not to cover the possible losses of one by the profits of the other, but to allow cash flow to circulate to invest in the most promising domains," Mr Lagardère explained.

Officials at Hachette and Matra stressed there was no timetable and the project was in its initial stages.

Mr Lagardère pointed out that Hachette's share of La Cinq's expected FF1.12bn losses for last year would be covered by the FF1.5bn profit from the sale by Hachette of the Paris headquarters of its NMPP press distribution company.

Mr Lagardère described Hachette and Matra as a "two-headed eagle" and argued that they had been unable to draw the benefit of belonging to the same group.

He bought a stake in Hachette in 1980, and wanted to merge it with Matra at the time. But Matra was nationalised a year later by the first Socialist government, to be privatised again by the Gaullist administration in 1987.

Today, Hachette and Matra are linked through Mr Lagardère's private holding group, MMR, the ultimate owner of controlling stakes in both.

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## Driving force behind a scheme to make the pollsters pay



The plan by environment commissioner Carlo Ripa di Meana to introduce a carbon tax in order to combat harmful emissions is one of the most ambitious fiscal and environmental moves yet contemplated within the EC.

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## MARKETS

<b>STERLING</b> New York : \$1.782 (1.9005) London: \$1.7785 (1.9055) DM1.6725 (2.085) FF16.78 (9.7725) SF12.5525 (2.54) Y22.75 (22.5) £ index 90.5 (90.8) New York Comex Feb \$35.5 (35.7) London: \$35.15 (35.85) N SEA OIL (Argus) Brent 15-day Mar \$18.5 (18.125) Chief prices changes yesterday: Page 17	<b>DOLLAR</b> New York DM1.6105 (1.59825) FF15.4855 (5.4195) SF11.43025 (1.412) Y125.25 (123.35) London: DM1.6185 (1.5875) FF15.505 (5.4125) SF11.437 (1.407) Y125.4 (123.3) \$ index 92.9 (92.1) Tokyo close: Y124.57 US CLOSING RATES Fed Funds: 4% (3.7) 3-mo Treasury Bill: 3.93% (3.8) Long Bond: 103.2 (103.1) yield: 7.72% (7.682%)	<b>STOCK INDICES</b> FT-SE 100: Yield 4.83 2,539.5 (+29.5) FT-A All-Share: 1,213.50 (+1.1%) FT-SE Euroshare 100: 1,142.62 (+10.06) FT-A World Index: 148.55 (-0.8) New York close DJ Ind. Av. 3,240.61 (+7.83) S&P Comp 414.99 (-0.49) Tokyo Nikkei 21,007.11 (-65.04) <b>LONDON MONEY</b> 3-month interbank: 10 1/8% (10 1/8%) Life long gift future: Mar 97 1/2 (Mar 97 1/2)
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## EUROPEAN NEWS

# Poland secures vital gas deal from Moscow

**POLAND** has won a new agreement with Russia which should guarantee gas supplies and get Polish heavy industry working again, an embassy official said yesterday, Reuter reports from Moscow.

Ms Agnieszka, Polish embassy press attaché in Moscow, said yesterday Russia had agreed to provide Poland with 7.6bn cubic metres of natural gas in 1992, below a previous agreement for 8.1bn but above an earlier offer of 6.1bn.

"It is not as much as we wanted, but enough for our industry," she said. New gas supplies would start to arrive from February 1.

All of Poland's heavy industry and most of its chemical plants have been idle since last week because of gas shortages caused by lower Russian supplies and higher demand for energy as temperatures fell.

The 130 large-scale steel factories, which account for 70 per cent of Polish industrial gas consumption, were using just enough gas to prevent damage to machinery from freezing temperatures.

Household users of gas have not been affected by the cuts but their increased usage in the cold weather has depleted supplies to industry.

Steel mills and fertiliser plants have been the worst hit, although these sectors had already sharply lowered production over the past two years as a result of Poland's recession.

Ms Nizestka said the new deal was sealed in Moscow this week after an emergency meeting between Russian authorities and Mr Adam Glapiński, the Polish

foreign trade minister. The original deal, agreed in December and worth about \$2.8bn (£1.5bn), guaranteed Poland supplies of 8.1bn cubic metres of natural gas and 5m tonnes of oil in 1992 in return for food, sulphur, coal and medicines.

But Russia cut gas deliveries on January 1, days after the barter deal had been agreed. Poland is sensitive to any disruption of gas supplies from Russia as it depends entirely on a pipeline network inherited from the now-defunct Soviet-led Comecon trade organisation.

Gas supplies have been running at some 45 per cent below agreed levels since the beginning of the year. Gas imports reached 7m cubic metres last year, with deliveries restricted to pipelines linking Poland with the Siberian gas fields.

Alternative supplies are impossible until new pipelines are built to the North Sea oil and gas fields. Talks with Statoil the Norwegian supplier are expected soon.

The position on oil is not quite as worrying as the Soviet Union accounts for just 87 per cent of Polish oil imports. However, deliveries from the Soviet Union ceased altogether last month after only 125,000 tonnes out of an agreed 5m tonnes for the year had been delivered.

Poland has alternative supplies of oil from Iran and Saudi Arabia as well as the North Sea, all of which can come be pumped through the Gdansk oil terminal on the Baltic. Last year Poland imported 11.5m tonnes of oil, with 6.5m from the former Soviet Union.

German chancellor calls for dismantling of tactical nuclear weapons

## Kohl warns CIS over military build-up

By Quentin Peel in Bonn and Chrystia Freeland in Kiev

CHANCELLOR Helmut Kohl yesterday warned the former Soviet republics not to contemplate setting up new armed forces of a size which would disturb the security balance in Europe.

It was "senseless" for the west to provide humanitarian aid and help rebuild the economies of former Soviet republics if at the same time they were debating setting up forces "which would disturb the European balance, and tie up financial and technical resources which could be used more sensibly in other fields".

Mr Kohl was addressing the chiefs of the general staffs of all nine member states of the Western European Union (WEU), who gathered for the first time yesterday in Bonn as part of the process of building a stronger European defence identity.

His remarks coincided yesterday with a decision by Mr Leonid Kravchuk, Ukraine's president, to appoint three commanders loyal to the republic in a further step towards creating a Ukrainian national army.

The new commanders, whose predecessors refused to swear an oath of obedience to Ukraine, will head the military districts situated in Ukraine.

The move is likely to cause consternation in Moscow where military chiefs are strongly against dismemberment of the Red Army.

Ukraine has been largely successful in its effort to form its own army, securing the loyalty of nearly 300,000 soldiers by the end of last week.

Mr Kohl yesterday called for the dismantling of tactical nuclear weapons in the Commonwealth of Independent States (CIS), successor to the Soviet Union, and gave his backing to moves to provide peaceful occupations for former Soviet nuclear scientists, to prevent them exporting their knowledge abroad.

The meeting in Bonn is a direct consequence of last month's European Community summit, and is intended to give "operative form" to the EC agreement on a common foreign and security policy, a German spokesman said.

Reuter adds from Moscow: Fighting raged in different parts of the Caucasus yesterday, with dozens killed in one of the bloodiest battles in a long-standing territorial conflict between Armenia and Azerbaijan. A spokesman for the Armenian mission in Moscow said 45 Azeris and 15 Armenians had been killed

over the weekend in the disputed enclave of Nagorno-Karabakh.

Rita (formerly Tasse) news agency said fighting was continuing around Karin-Tak, where it had been reported that "the attackers left more than 60 dead on the battlefield". Twenty residents and defenders of the village had also been killed.

Elsewhere in the Caucasus, one person was killed and several wounded in the west Georgian town of Poti as government forces attacked loyalists of ousted Georgian President Zviad Gamsakhurdia, a local official said.

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## UN envoy talks peace to Serbs in Croatia

By Laura Silber in Belgrade

UNITED NATIONS special envoy Marrack Goulding met Serb leaders from Croatia yesterday in an attempt to persuade them to accept a UN peace plan which provides for the withdrawal of the federal army from Croatia after the deployment of a 10,000-strong multinational peacekeeping force.

Serb leaders in Croatia oppose the plan because they say it fails to offer guarantees for Croatia's 600,000 Serbs.

However, Mr Goulding, who is responsible for peacekeeping operations in the former Yugoslavia, said he was "encouraged" after meeting Mr Goran Hadzic, a leader from the self-proclaimed Serbian region in eastern Slavonia.

"It is possible to say that a step forward has been made... We all have to do everything we can to convince the leaders of Krajina [the self-proclaimed Serbian republic in south Croatia] that it is a... plan which offers the possibility of establishing peace in Yugoslavia," he said.

Mr Goulding was due to meet Krajina's president, Mr Milan Babic, in the course of his five-day visit. Mr Babic is staunchly opposed to the UN peace plan, which also envisages creation of UN protected areas in Serb-populated regions, as well as the disarmament of Serb and Croat irregulars.

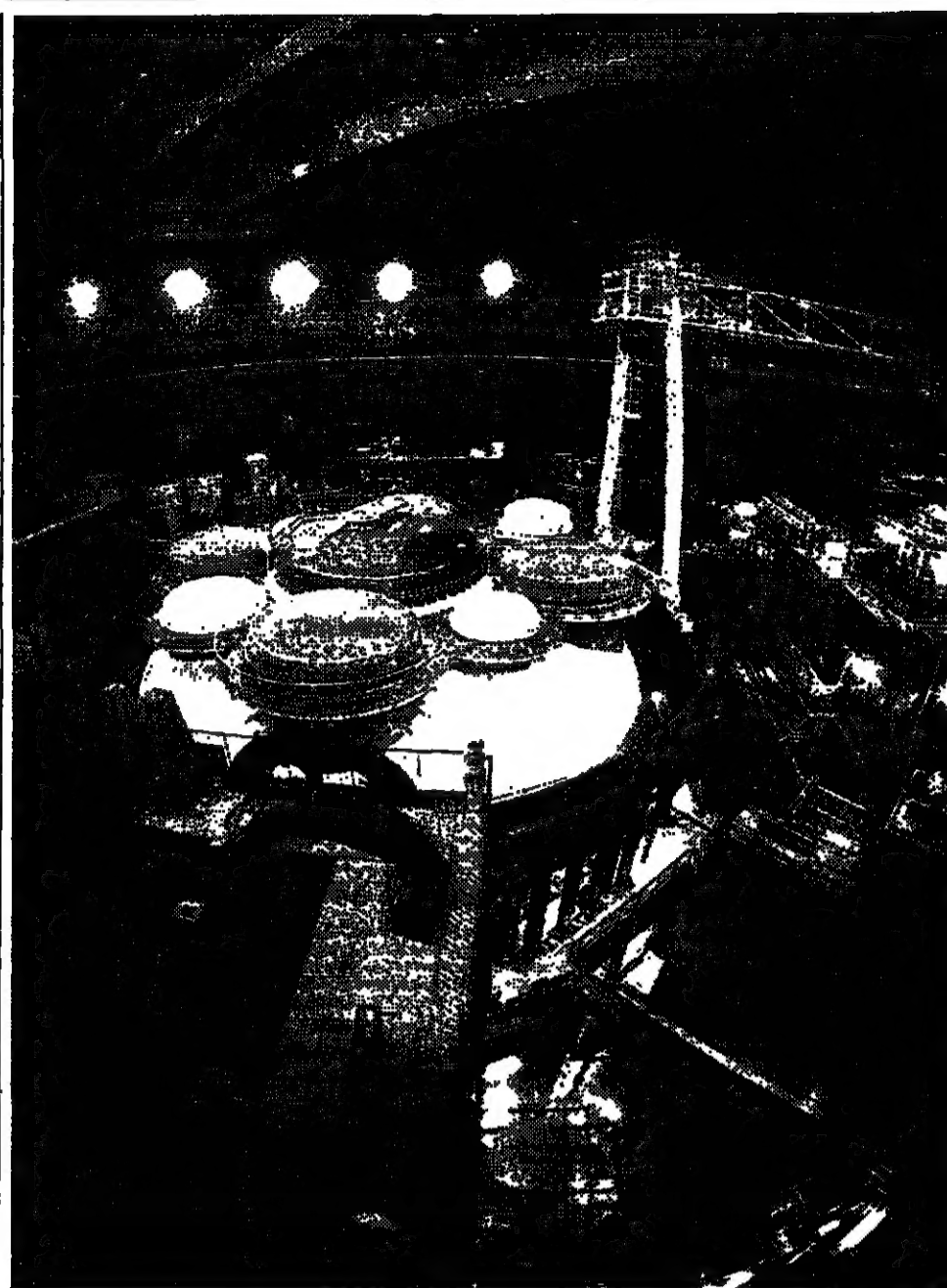
Serb insurgents, backed by the federal army, currently control a third of Croatia. A western diplomat yesterday said: "Serbia [under Mr Milosevic] no longer has the finger-snapping authority over Babic. I am a little more optimistic about the prospects for the UN plan."

Mr Milosevic says he supports the UN plan but he appears to lack control over Serb leaders from Croatia. And in a sign of another shift in Serbian policy, Mr Ratko Markovic, a legal adviser to the republic's government, called for Serbia to "reactivate" its independent status.

Politika, a Belgrade daily and mouthpiece for the Serbian government, quoted Mr Markovic as saying: "Serbia must elaborate its concept of an independent state and reaffirm its recognition which exists since 1978."

Mr Milosevic has insisted previously that Yugoslavia still exists despite the addition of Croatia and Slovenia. Serbia did not apply for independent status or seek recognition.

Mr Goulding is due to hold talks in Zagreb, the capital of Croatia, where the truce continues generally to hold.



Super Phenix reactor at Crey-Malville, part of France's extensive nuclear capacity

## French nuclear body wants compensation over merger

By William Dawkins in Paris

FRANCE's atomic energy commission (CEA) is pressing the government to compensate it for the income it expects to lose under the planned merger of the state's civil electronics and nuclear interests.

The new group is unlikely to be making substantial profits for several years given the financial needs of the electronics activities, in the view of Mr Philippe Rouvillois, general administrator of the CEA, which has spearheaded France's ambitious nuclear energy programme.

This is the first official recognition of the financial challenges facing the new company, to be called Thomson-CEA-Industries (TCI),

plans for which the government revealed last month. Mr Rouvillois told a French news agency that he expects the commission to lose around FF400m (£41m) a year from the merger, in the form of dividends now paid to the CEA from its industrial unit's nuclear plant and fuel operations, which would be moved into TCI.

In exchange, the CEA would have a 30-35 per cent stake in TCI, which would clearly be unable to yield substantial dividends while saddled with the losses of Thomson Consumer Electronics.

The latter reported a FF2.7bn net loss in 1990. This stake would incidentally give the CEA a blocking minority in TCI. That is intended to give it power to veto any attempt to break up TCI or fully privatise it.

This comes at a time when the CEA's budget is already under pressure. It expects to receive FF6.2bn from the state this year to fund its huge civil research programmes, 25 per cent down over five years, say officials. The state budget covers 65 per cent of the CEA's needs; the rest comes from commercial revenues.

Despite his financial anxieties, Mr Rouvillois stressed that he was confident of the CEA's future as an essential body in nuclear research and policy advice.

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## Delors seeks to calm budget fears

By Andrew Hill in Brussels

THE European Commission president, Mr Jacques Delors, said yesterday it would be difficult for Brussels to propose a hefty increase in the Community budget while the 12 member states were facing recessionary pressures and public spending constraints.

Outlining his priorities for 1992 - which could be Mr Delors' last year as Commission president - he stressed the importance of the budget measures package for 1992, which would also restrict Brussels' ability to respond to the growing number of aid demands coming from outside the Community, he added.

He also alluded to the possibility that the EC's research and training funds could be used to support European industry, which would also use the suspicions of the EC's free-market members.

Mr Delors said: "The globalisation of the economy is continuing and we have two ways [of reacting] - adapting our research policy and putting our training resources at the disposal of companies."

Budget proposals being discussed by the Commission at the moment envisage an increase in the current statutory limit of 1.3 per cent of EC gross domestic product to between 1.35 and 1.45 per cent for 1993-97.

But the possibility that the EC's overall budget might be substantially increased from this year's level of Ecu66bn (£47bn) is already worrying wealthier member states such as Britain and Germany.

Mr Delors acknowledged that "national budgets will be tight", in part because member states are cutting public spending to meet the strict criteria for economic convergence imposed by the treaty on economic and monetary union.

The need to rein in EC budget increases would also restrict Brussels' ability to respond to the growing number of aid demands coming from outside the Community, he added.

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THE European Commission president, Mr Jacques Delors, said yesterday it would be difficult for Brussels to propose a hefty increase in the Community budget while the 12 member states were facing recessionary pressures and public spending constraints.

Outlining his priorities for 1992 - which could be Mr Delors' last year as Commission president - he stressed the importance of the budget measures package for 1992, which would also restrict Brussels' ability to respond to the growing number of aid demands coming from outside the Community, he added.

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## Growth in condom sales expected to slow

By Paul Abrahams

CONDOM sales in Europe should increase 61 per cent from \$462m (£271.8m) in 1990 to \$616m over the next five years, according to a report\* published by Frost & Sullivan, the market research company.

However, the rapid market growth during the late 1980s, following the first realisation that heterosexuals were at risk from HIV, will not continue,

said the report. The largest market in Europe for condoms remains Italy, with annual sales of \$138m. The Italian market is still growing rapidly, increasing 12 per cent during 1990, mainly because of low usage of the pill.

West Germany is the second largest European market, where sales reached \$111m in 1990. Unification should increase the condom market since they were not officially available in East Germany.

In the UK, condoms have overtaken the pill as the most popular form of contraception for the first time since the 1960s. Condom sales reached \$67m in 1990.

In Spain, more than half of women between 15 and 45 do not use any form of contraceptive. The pill remains the most popular form of birth control.

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## Dublin budget may boost spending by 7.7%

By Tim Cooney in Dublin

THE Irish government is aiming for an expenditure review requirement of 15.6bn (£509m) or around 2.2 per cent of GNP, in its 1992 budget, due to be announced tomorrow. This would be slightly up on 2.1 per cent of GNP in 1991.

Five budget estimates of receipts and expenditure, published by the Finance Ministry yesterday show a projected increase of 7.7 per cent in total government spending to £10.6bn, with revenues rising by 4.7 per cent to £9.5bn.

Public pay and pensions is expected to account for £3.72bn of the spending total, taking into account a new pay package agreed with public sector unions earlier this month.

Under existing tax provisions and estimates, income tax revenue is projected to rise by 9.6 per cent to £3.54bn, while corporation tax revenue is targeted to rise by 13.6 per cent to £2.92bn. A 7 per cent increase in VAT revenues to £2.2bn is anticipated.

The report recommended the phased reduction or elimination of a wide range of tax breaks and incentives, in order to bring down personal taxation rates among the highest in the EC.

Mr Bertie Ahern, the finance minister, said last month there was little prospect of any tax cuts in this budget, though his own Fianna Fail party is recommending a reduction in the lower income tax rate from 29 to 28 per cent, and a reduction in the top rate from 53 to 50 per cent.

The party is strongly opposed to any reduction in mortgage interest relief.

Mr Des O'Malley, the industry minister who set up the IPRG last year, is strongly in favour of tax reform. As the leader of the Progressive Democrats party, the junior partner in the coalition government, he last week issued an ultimatum to Mr Charles Haughey, the prime minister, to resign or lose his party's support, because of a series of controversies that have undermined the government. Mr Haughey is expected to announce his intention to resign this Thursday.

Mr Ahern, who became finance minister last November, is a leading contender for the succession to Mr Haughey, and the public's reception of his first budget could have an important influence on his chances of assuming the leadership.

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## Airbus crash prompts strike call by pilots

PILOTS at the French domestic airline Air Inter have called a 24-hour strike for Thursday, accusing the government of jumping to conclusions about an Airbus crash in eastern France which killed 57 people last week, Reuter reports.

The USPT pilots' union said the Transport Ministry had "exonerated" the ultra-modern Airbus A320 and, by implication, blamed the crash on pilot error. A preliminary report on the crash, the third involving an A320 since the airliner entered service four years ago, is not due for a month. The airline is one of the world's fastest growing.

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## Commission opposes move to trade airport landing slots

By Daniel Green

AIRLINES SHOULD be allowed to buy and sell the rights to land at European airports, according to an advisory report prepared for the European Commission. Its suggestions conflict with the views of the Commission, which favours a more interventionist approach to prevent large airlines dominating airport landing slots.

The way in which landing slots are allocated is a central part of proposals for EC airline liberalisation. It is of pressing importance because several European airports, including London's Heathrow, Frankfurt and Milan, cannot satisfy the demands of airlines wanting to land there.

Such under-capacity shuts out newcomers to the industry. In the interests of competition, the UK government last year forced the transfer of slots from British Airways to a much smaller competitor, Virgin Atlantic, on the lucrative London-to-Tokyo route.

So-called slot trading, as recommended in the report, could replace a system of allocations based on scheduling committees and



## Kevin Done analyses sales of Japan-derived vehicles in America

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## INTERNATIONAL NEWS

# Asean leaders fear effects of Soviet collapse

By Victor Mallet in Singapore

SOUTH-EAST Asian leaders, meeting at their first summit since 1987, yesterday welcomed the end of the Cold War but expressed foreboding about the probable economic consequences of the Soviet Union's collapse and remained divided on how to ensure regional security.

Mr Goh Chok Tong, Singapore's prime minister, urged the summit of the Association of South-east Asian Nations (Asean) to approve a proposed Asean free trade area and so enable the dynamic economies of its six member countries to compete with central Europe for investment as the European Community expands.

Asean might have a population of more than 300m, he said, but its combined gross national product amounted to only about \$310bn (\$170bn), compared with more than \$4,000bn for the EC and about \$6,000bn for the US, Canada and Mexico. The EC population's purchasing power was 15 times the North America's 20 times that of Asean.

"Unless Asean can match the other regions in attractiveness, both as a base for investments as well as a market for their products, investments by multinational companies are likely to flow away from our part of the world to the single European market and Nafta [the North American Free Trade Area]," he said.

A common theme running through the speeches of Mr Goh and the other five leaders - from Indonesia, Malaysia, Thailand, the Philippines and Brunei - was a fear of protectionism in Asean's main export markets and of the emergence of potentially protectionist

regional trade blocs in America and Europe.

Although the Asean leaders want to establish a free trade area within 15 years, some of them also emphasised the need to continue nurturing ties with their main trading partners outside south-east Asia.

Mr Anand Panyarachun, the Thai prime minister, warned that proposed intra-Asean tariff reductions would not be easy. Asean, he said, would have to avoid the red tape and lack of determination which undermined previous attempts.

"In the short run, it could result in initial losses of government revenue," he said. "Inefficient sectors would become vulnerable to competition."

In a speech characteristically critical of the west, Dr Mahathir Mohammed, prime minister of Malaysia, urged industrialised countries to help fight tropical forest fires and to combat piracy in the Straits of Malacca instead of attacking the environmental policies of developing nations.

He said: "More forests can be saved by preventing forest fires or putting them out quickly than by boycotting the export of tropical timber or advocating that forest dwellers remain in the forest, eating monkeys and suffering from all kinds of tropical diseases."

# Democracy discomforts Hong Kong business

Conservatives fear Beijing's anger will hurt their interests in the colony. Simon Holberton reports

THE emergence of a limited degree of democracy in Hong Kong is causing unease among some of the colony's conservative politicians, many of whom are finding it difficult to adjust to the changed political environment brought about by democratic elections.

Since September's elections, the government in Hong Kong has changed from one where the wishes of the colonial authorities were enacted into law by a relatively compliant legislature, to one where virtually all aspects of the government's legislative programme are vigorously debated, and, in some cases, changed.

This has caused alarm in Beijing, which has no interest in seeing an alternative centre of power established itself before 1997. It has made plain its desire to inherit an "executive-led" government from Britain's colonial administration. The change in political landscape is also worrying conservatives who want to take the line of least resistance with China.

But these concerns cut little ice with Hong Kong's democratically-elected - mainly the United Democrats - politicians who can fairly claim to represent the people. They want greater democracy in Hong Kong before the colony is handed over to Beijing, and want relations between Hong Kong and China to be rooted in the 1984 Sino-British Joint Declaration, rather than the Basic Law.

And, according to foreign observers of the colony's politics, the United Democrats' views command popular support. Explaining their appeal, one diplomat noted that there was a strong current of support for self-determination in the colony. "There is



Martin Lee: pyrrhic victory

also support for a degree of confrontation with China; a desire to demonstrate independence. But it is not anti-Chinese or anti-British," he said.

The elections in September were a watershed in Hong Kong. They allowed voters to elect candidates to 18 of the 60 seats in the Legislative Council (Legco). This was the first time the people of the colony had been given the opportunity to vote for political representatives.

The United Democrats, led by the mild-mannered yet outspoken Mr Martin Lee, who in European terms would be called a Christian Democrat, won 12 of the 18 democratically-contested seats, while others of equally liberal persuasion won five of the remaining six.

A further 21 of the 60 seats were elected indirectly by so-called functional constituencies - groupings which represent business, finance, the law and the labour movement, among others. Of the rest, 18 members were appointed by Sir David Wilson, the governor, with the remaining three occupied ex officio by senior government officials.

Legco's powers are substantial. It can amend and vote out legislation proposed by the colonial government. It cannot propose spending bills, but it can exercise a line-by-line veto over any of the government's spending plans. Last year it forced the then financial secretary, Sir Piers Jacobs, to back down from his budget proposal to increase tobacco taxes by 200 per cent.

Legco has already exhibited its new democratic muscle by voting to condemn a UK-China agreement on the composition of Hong Kong's Court of Final Appeal - a vote which commanded cross-party support - and last week by strongly attacking the British government for the delay in appointing a new governor.

But the new-found robustness and content of the debates leads conservative local politicians to worry about upsetting delicate relations with China, which will assume sovereignty of the territory - albeit as a special administrative region - in 1997.

Mr Stephen Cheong, a Legco member since 1980 who now represents the Federation of Hong Kong Industries (FIH) as its functional member, went so far as to express fears that anarchy could develop in Hong Kong, during a speech at a conference to promote the territory's future in London.

Mr Cheong was roundly criticised for this by the local media. The Chinese-language Economic Journal suggested that the FIH reconsider his qualification to represent it. "Democratic changes in Hong Kong are now a matter of fact," the paper said. "The [United] Democrats' performance has been reasonable and Hong Kong people should try to get used to living with democracy."

Yet, intemperance as Mr Cheong's remarks were, they do strike a chord with the political supporters of Hong Kong's business and financial establishment. These people stand for stability, a reasonable relationship with China, no hurry on democracy, and keeping the economic environment favourable for business. In short: the maintenance of the status quo as it existed before September's elections.

In party political terms they call themselves the Co-operative Resources Centre (CRC). It numbers more than 24 adherents in Legco and has four members on the Executive Council - the governor's cabinet. All members of the CRC were either appointed by the colonial government or submitted themselves to a limited plebiscite as a functional constituency member of Legco. Not one democratically-elected politician has joined their group.

Their concerns are decided by the democratically-elected politicians, who see them as representatives of the *ancien régime*. They accuse them of kowtowing to China either in the hope of preferment after 1997, or in the misguided hope that by acquiescing now Hong Kong will be spared later.

But they do agree that the central issue is Hong Kong's relations with China and an appropriate mode of life for them. The United Democrats' position, however, places them on a collision course with the colonial government. Westminster and Beijing "want nothing less than the amendment of the Basic Law which sets out how Hong Kong will be governed after 1997," and thus people democratically elected in future plebiscites.

China has said the Basic Law can not be amended. Mr Douglas Hogg, the British foreign secretary, has said he will raise the matter with Beijing, although he held out little hope for success. Yet politicians such as Mr Lee will not let go.

"What the people of Hong Kong want are politicians who dare to speak the truth particularly to China, and, to a lesser extent, the Hong Kong government, is not doing the right thing by Hong Kong," he says. "Many people are prepared to criticise the Hong Kong government. But where can you find people to criticise China? That's why we did so well in the elections."

Yet as the year progresses Mr Lee expects the temperature of politics in Britain's last important colony to rise. Given the representation in Legco the government will not lose a vote, the conservatives will see to that. But that is a mixed blessing to the colonial and British governments. "Every time we fight and lose it is a pyrrhic victory for the government," says Mr Lee. "The question is how many pyrrhic victories can they afford to win. Soon or later the people will become disillusioned."

He may have a point.

## Private banks start to open in Taiwan

By Luisa Mudge in Taipei

PRIVATELY owned banks have begun opening in Taiwan this month, ending a 40-year monopoly by government-run institutions and setting the stage for intense competition. Grand Commercial Bank and Dah An Commercial Bank have begun operating, and 13 more are due to follow soon under licenses issued last May. The new banks have a minimum capitalisation of \$400m (\$231m) and are backed by some of the biggest names in Taiwanese industry.

Among shareholders are Lucky Cement, Far Eastern Department Stores, Asia Cement, Evergreen Shipping, Formosa Plastics, China Rebar, Pacific Enterprises, Taiwan Spinning, President Business Group.

The change is part of the ruling Nationalist (KMT) government's programme of financial liberalisation, which in 1981 included facilitation of trading in bonds and foreign exchange, and allowed trust companies to apply to convert to banks.

With their targeting of medium and small businesses, the new banks will also play a role as the first alternative to Taiwan's underground financial markets. The government banks' unwillingness to lend to any but fully collateralised concerns has meant that underground banks have flourished.

Conservatism about lending stems from the government's tight monetary policy to avoid the mistakes which led to hyperinflation when they were in power on the mainland over 40 years ago.

Mr Peter Kuan, of Baring Securities, said Taiwan's large supply of capital and strong manufacturing base gave it the potential to be a key financial power worldwide, although it lacked the necessary financial services as yet.



Philippines former defence minister Fidel Ramos (left) and supporters yesterday celebrate forming a separate party to fight the presidential elections in May. Mr Ramos, who has the backing of current President Corason Aquino, resigned from the country's largest party, the

Struggle of the Democratic Party, last month, AP reports from Manila.

A total of 19 candidates, nine of them serious, have expressed their intention to run in the election, including President Ferdinand Marcos's widow, Imelda.

## S African miners scrap profit-linked pay deal

THE South African National Union of Mineworkers (NUM) decision to scrap a profit- and productivity-linked wage deal was the first shot across the bows of mining houses in the run up to annual wage talks, analysts said. Reuter reports from Johannesburg.

"It might well be the start of a push for a differently structured arrangement for 1992-93, and one at better terms," Mr Rob Gillen, analyst at Frankel Max Pollak Vindereine, said. However, if the NUM's new demands were unrealistic, mine employers, squeezed by weak world prices for gold, would be forced to shed more workers, he said.

The NUM's outgoing acting general secretary, Mr Marcel Gidding, told a news conference at the weekend that the union would pull out of the agreement at the June wage talks because of members' dissatisfaction with the bonus system and the way most mine employers were applying it.

The mainly black NUM and the Chamber of Mines, which links the big mining houses, signed an historic performance bonus agreement last year, whereby a minimum annual wage increase is supplemented if the gold price reaches a trigger level.

The gold price did not trigger the bonus in the first half of the July-June, 1991-92 year covered by the agreement. But, in terms of cost containment and productivity schemes, some mines have paid out bonuses of up to 12 per cent, on top of a minimum 4 per cent wage increase for the year, analysts say.

No bonuses have been paid at some of the marginal mines. The NUM was being urged to monitor the system, Mr Gidding said, adding that there was no union participation in setting targets, nor in the uneven distribution of bonuses, which managers used as a divisive tactic.

## De Klerk comes under fire over death squads

By Patti Waldmeir in Cape Town

MR Cyril Ramaphosa, the secretary general of the African National Congress (ANC), yesterday criticised Mr F W de Klerk, the South African president, for failing to act against security force death squads which have targeted anti-apartheid activists.

Former members of the South African Defence Force and the police have alleged that security force members have been involved in hundreds of deaths of activists in recent years. "We have reason to believe he [Mr de Klerk] knows and has known all along... and has done nothing to stop it," Mr Ramaphosa told journalists in Cape Town.

Mr Roelf Meyer, the defence

minister, denied the claims and urged Mr Ramaphosa to present evidence to a government commission of inquiry.

Mr Ramaphosa took a more conciliatory line on key political issues such as interim government. He indicated that the ANC was willing to negotiate with the government over the issue of a proposed white referendum to approve constitutional changes which would end white domination.

Previously ANC leaders have ruled out the referendum, which would give whites a veto over political change. He also appeared willing to negotiate with Pretoria over the issue of electing blacks to an interim parliament.

## Jordan keeps a wary eye on the Islamic surge in Algeria

By Lamie Andoni in Amman

EVENTS in Algeria are being taken over closely in Jordan, which is itself taking first democratic steps and which also has an influential Islamic movement vying for power through the ballot box.

There are already strong indications that the Moslem Brotherhood, the Ikhwan, will dominate the 39-seat parliament after elections in November - thanks in part to the disarray of its left-wing and pan-Arabist rivals.

For many political analysts in Amman, Algeria offers a salutary warning to Jordan's political leaders, who will seek to avoid being caught between allowing the Brotherhood to

take over parliament and a disruption to the fledgling democratic process.

Two years ago, in the last polls, the Brotherhood rose to prominence by winning a third of the seats in the parliament. It received a substantial boost from the Islamic Salvation Front (FIS) victory in Algeria - the more so since the military-backed cancellation of Algeria's second round poll is widely felt to have eroded the credibility of Arab leaders' attempts to introduce democracy.

Algeria and Jordan cannot be directly compared, however, and some analysts argue that Amman's system has enough safety valves to prevent

outright confrontation between the Brotherhood and King Hussein.

While the FIS emerged in the 1980s as an alternative movement to the ruling National Liberation Front in Algeria, for instance, Jordan's King always allowed the Brotherhood a special status for having supported him during the 1970s against Arab left-wingers and radicals.

Moreover, the Brotherhood's leaders have consistently sought to avoid confrontation with the state and have opted in the past to use its privileged status to take influential positions in government institutions.

However, relations between the pal-

ace and the Brotherhood have grown increasingly strained over the past few years as King Hussein has publicly attacked the movement's efforts to change the country's relatively liberal lifestyle. The Brotherhood has found itself further alienated from former radical opponents and his decision to enter peace talks with Israel last October.

According to some members of the Brotherhood, the movement's most prominent leaders are concerned to retain a conciliatory policy towards the King. But they are coming under pressure from an

increasingly militant power base.

In response to events in Algeria, the Brotherhood has foundered into itself for both radical and moderating voices. The movement has attacked the cancellation of elections in Algeria as "usurpation of power from Islamists", though some officials from the movement have also criticised FIS for "confrontational tactics".

For its part, the palace remains wary about the movement's declared aim of establishing an Islamic state in Jordan, despite the fact that more radical members of the Brotherhood criticise its leaders for "co-opting" into the state.

## NEWS IN BRIEF

## Shamir likely to avert vote of no-confidence

MR Yitzhak Shamir, the Israeli prime minister, yesterday secured sufficient pledges of parliamentary support to avert the embarrassment of a vote of no confidence in his minority government and allow him to keep control over moves towards an early general election, Hugh Carmichael writes from Jerusalem.

A no-confidence motion tabled by the main opposition Labour party which, if passed, would have obliged Mr Shamir to resign, appeared doomed after the prime minister persuaded the extreme right-wing parties which quit the coalition a week ago either to vote against the Labour motion or abstain.

Mr Shamir intended to use the breathing space to negotiate with both his Likud party's remaining religious party coalition partners and opposition parties to fix an election date to his liking.

He has signalled his preference for June, by which time he hopes to have reached an agreement with Washington on terms of \$10bn (\$5.5bn) in US loan guarantees to help finance Jewish immigration from the former Soviet Union. Fast rising unemployment and fears of economic hardship have made the loan guarantees an important election issue.

## Chinese trade increases by 17.5%

China's foreign trade in 1990 soared 17.5 per cent to \$135.7bn (\$74.9bn), the Chinese government announced yesterday, Kyodo reports from Beijing.

The country's balance of trade in the year posted a surplus of \$6.12bn with \$71.91bn in exports against \$65.79bn in imports. Exports were up 15.8 per cent and imports 19.5 per cent from the previous year.

The Ministry of Foreign Economic Relations and Trade attributed the good showing mainly to last year's abolition of export subsidies aimed at making Chinese enterprises more competitive, and to the easing of economic sanctions and the virtual ending of a strict domestic economic policy that brought on appreciable growth in imports.

Hong Kong was China's top trade partner with \$49.6bn while Japan was second with \$20.3bn. Third was the US at \$14.1bn and South Korea was fourth at \$3.3bn. All four figures represented growths of more than 20 per cent. Trade with Taiwan, at \$4.2bn, was up 5.9 per cent. By contrast, trade with the former Soviet Union fell by 12.2 per cent to \$3.9bn.

## Cameroon's debts rescheduled

Creditor nations working through the Paris Club rescheduled the official foreign debt of Cameroon over 15 to 20 years yesterday, AP reports from Paris.

The creditors announced that they advised stretching debt service payments to 20 years for public development assistance loans, and 15 years for other types of guaranteed loans. They did not say what amount of debt was covered by the package, but urged other creditors to arrange debt conversions for Cameroon.

Those participating in the Cameroon talks included Austria, Belgium, Britain, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the US.

## Gulf war prisoners plea

A Kuwaiti human rights delegation yesterday urged Mr John Major, the British prime minister, to increase pressure on Iraq to free up to 1,053 Kuwaiti hostages held since the Gulf war, Mark Nicholson reports.

A 14-strong delegation from the Kuwait Association to Defend War Victims presented a letter to Mr Major calling on him to insist that Iraq give the International Committee of the Red Cross access to Kuwaiti detainees.

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## CONTRACTED BUSINESS SERVICES

The FT proposes to publish this survey on February 26th 1992. It will be of considerable interest to our readership of Chief Executives, Finance Directors and Managers - the very people who have responsibility for employing external contractors. If you want to reach this important audience, call Jessica Perry on 071 873 4611 or fax 071 873 3062.

Data source: BMRC 1990

FT SURVEYS

## Leaders forced to abandon grand climax at Srinagar

## BJP unity tour falls short of expectations

By K.K. Sharma in New Delhi

THE OPPOSITION Bharatiya Janata party's much publicised *ekta yatra* (unity tour) ended in a pyrrhic victory, at best. Its leaders are now pondering whether it was worth the effort.

The BJP had hoped by emphasising national unity to widen its appeal among voters and to deflect attention from its internal communal campaign to build a temple to the Hindu god Ram on a religiously disputed site. The BJP had failed to live up to its promise to start building the temple.

Meant to symbolise India's unity, the caravan headed by Dr Murli Manohar

Joshi, the BJP president, was to finish its 45-day tour at Srinagar, capital of the state of Kashmir, where the national flag was to be unfurled before a huge gathering. The grand climax did not take place.

A short discussion with Mr G.N. Saxena, the Kashmiri governor, the day before the planned grand drive forced Mr Joshi to change his plans. Thousands of volunteers were stranded, with only a token group ferried to Srinagar by the Indian Air Force to unfurl the national flag in a 15-minute ceremony. It was exactly this sort of tokenism that Mr Joshi had been deriding. Honours went to the militants seeking

Kashmir autonomy. In spite of an official curfew, gunfire in the Kashmir valley was heard throughout the day. Even the unfurling site was the target of rocket attack. The militants were able to show that they held sway.

The diverse militant groups fighting for independence apparently suspended their differences, if only for the day, although political observers believe this could well lead to more cohesion among the guerrillas. The *ekta yatra* seemed only to strengthen the militants' resolve, and the BJP might now be forced to abandon *yatra* politics.

## Pakistan backs UN peace talks

THE Pakistan government yesterday threw its weight behind UN-sponsored talks to end Afghanistan's civil war, a policy switch UN officials say removes a key obstacle to the peace talks. AP reports from Islamabad.

Pakistan said the Moslem rebels now had to negotiate with their one-time communist foes. The fundamentalist guerrillas, however, have continued to reject negotiation.

UN officials say Islamabad's change in policy, means peace talks could open in late February or early March.



## AMERICAN NEWS

## Clinton pins campaign hopes on TV confession

By Lionel Barber in Washington

GOVERNOR Bill Clinton of Arkansas was gambling yesterday that an extraordinary confession of "wrongdoing" in his marriage has salvaged his campaign for the Democratic presidential nomination.

During a joint TV appearance with his wife, Hillary, Mr Clinton admitted his marriage had been rocky, but he denied allegations of a 12-year-long affair with a former Arkansas state employee, and part-time cabaret singer.

Ms Gennifer Flowers, the employee, was scheduled to hold a news conference in New York yesterday, in which she was expected to challenge Mr Clinton's account by replaying tapes of phone conversations. However, published excerpts of these tapes have so far proved inconclusive, and questions have surfaced about her credibility.

Ms Flowers, who was paid for her story by a supermarket tabloid newspaper, said she met Mr Clinton in 1979 and 1980 at the Executive Hotel in Little Rock. But the hotel did not open until 1982. She also claims to have reported on Mr Clinton while working with a local TV station, but Little Rock's KARK-TV said it could find no tapes to support this.

Mr Clinton, the early front-runner for the Democratic nomination, was judged yesterday to have taken a huge gamble by appearing on CBS's programme "Sixty Minutes", which generally attracts more than 50 million viewers.

Although his campaign advisers said the sex scandal rumours were driving out the Arkansas governor's message to voters, the risk was his confession could draw further media scrutiny just three weeks before the critical New Hampshire primary election.

Mr Clinton, 46, appeared calm and good-humoured throughout the interview. "I have acknowledged causing pain in my marriage," he said. "I have said things to you tonight and to the American



Bill Clinton comforts his wife Hillary after lighting equipment fell close to them during the CBS interview

people from the beginning that no American politician ever has."

But in response to a question on whether he had ever committed adultery, Mr Clinton avoided a clear-cut response. "I'm not prepared to say tonight that any married couple should ever discuss that with anyone but themselves."

He appealed to the US public for fairness and urged the media to respect his privacy. Instead of turning the 1992 campaign into a "game of gotcha".

Big news organisations initially played down or ignored the unsubstantiated allegations, but the story has gained momentum as commentators claim the charges go to the heart of the candidate's character. The governor has responded

that his treatment and the airing of unsubstantiated allegations went to the heart of the character of the press.

Mr Clinton saw his popularity fall sharply last week among likely Democratic voters in New Hampshire, which holds the first state presidential primary, Reuter reports from Boston.

In a poll by the American Research Group, based in Manchester, New Hampshire, which has conducted daily surveys in advance of the February 18 primary, support for Mr Clinton fell 14 percentage points in five days last week.

The latest polling data, up to Saturday, put Mr Clinton in second place, with 25 per cent, to Mr Paul Tsongas, a former Massachusetts senator, who has 27 per cent of voters' support.

## Pentagon to reveal cuts in weapons production

By Lionel Barber

THE PENTAGON is expected tomorrow to unveil far-reaching plans to scale back production of new weapons systems, including nuclear warheads, in response to the collapse of the Soviet Union.

The plans are intended to save billions of dollars in military spending, but could face stiff opposition from Congress and US defence contractors.

In their most radical form, the plans would halt production of most new weapons systems once a prototype was ready. The aim would be to restrict the Defence Department's costs to research and development - which typically represents about a quarter of the cost of an advanced weapons system.

Big defence contractors argue that this would saddle industry with the cost of research without the security of future earnings through mass production.

A further objection is that mass production irons out defects in advanced weapons systems, and also helps to sustain the country's defence industrial base.

Congressmen, while generally enthusiastic about cuts in defence spending to pay for domestic programmes, may support this view because of fears of job losses in their districts and general concern over foreign competitors.

Separately, the administration is reported ready to announce a halt in production of the W-88 nuclear warhead. This would fit earlier steps to reduce the US nuclear bomb-building capability in line with cuts in nuclear warheads agreed with the former Soviet Union.

## Haiti's junta tries to block Aristide

By Canute James in Kingston

HAITI'S military rulers are intensifying their efforts to frustrate the return to the country of Mr Jean-Bertrand Aristide, the president who was overthrown and sent into exile last September. They have also prevailed on legislators to delay indefinitely negotiations with the Organisation of American States for Mr Aristide's return.

The military is attempting to prolong the interim government which it set up after the coup, and wants to organise elections.

In another development, soldiers and policemen attacked the office of Mr Rene Theodore, the prime minister-designate, at the weekend, killing one of his bodyguards.

The attack, the second on Mr Theodore's offices this month, has raised concerns in the Caribbean state over his safety, while Haitian legislators consider whether to ratify his appointment. Ratification would clear the way for the return of Mr Aristide. The OAS and Mr Aristide have agreed on Mr Theodore as the interim prime minister, but the army has been forcing parliamentar-

ians to delay a decision on his ratification.

The senate has imposed a 10-day moratorium on negotiations with the OAS, apparently to appease the military. Following the attack, Mr Theodore said the country was being held hostage by thugs.

"Two things must be clarified now, at this moment of deepening crisis," he said after the attack. "We need to know whether the commander-in-chief cannot control his troops, and whether parliament will or will not prolong the mandate of the interim government."

The country's military rulers appear emboldened by the limited effect of a trade embargo imposed by the OAS, the European Community and several countries. A shortage of fuel has been relieved by three shipments since the embargo was imposed.

Mr Joao Saena Soares, secretary general of the OAS, said last week: "We must come to the conclusion that it is not possible to implement the embargo." The political stalemate in the country of 7m has led to a resurgence of refugees seeking asylum in the US.

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## US business confidence rises sharply

US business confidence rose sharply in January, reversing a three-month decline, figures indicated yesterday, writes Michael Prowse in Washington. Cahners Economics, a Massachusetts-based consultancy group, said its index rose to 63.2, compared with 56.1 in December. It was the largest increase since the group began tracking business plans last June, when the index read 62.5.

Mr Kermit Baker, Cahners' chief economist, said confidence was being revived across the US. "While the trend is uneven, with consumer product and service sectors lagging, this is the first hard evidence that a recovery in manufacturing can begin in early to mid-1992." Managers in the computer and electronics industries were the most bullish, with four out of five companies surveyed forecasting an upturn in production and sales by the start of the second quarter.

But business confidence in the service and consumer products sectors remained weak.



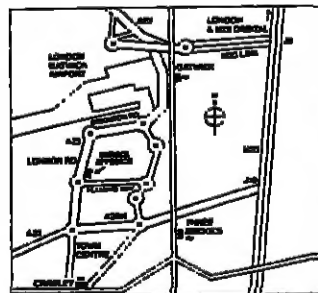
Former world heavyweight boxing champion Mike Tyson arriving in court in Indianapolis yesterday with one of his lawyers for the start of his trial on rape charges. Tyson, 23, denies allegations that he raped an 18-year-old black beauty pageant contestant in a hotel room last July

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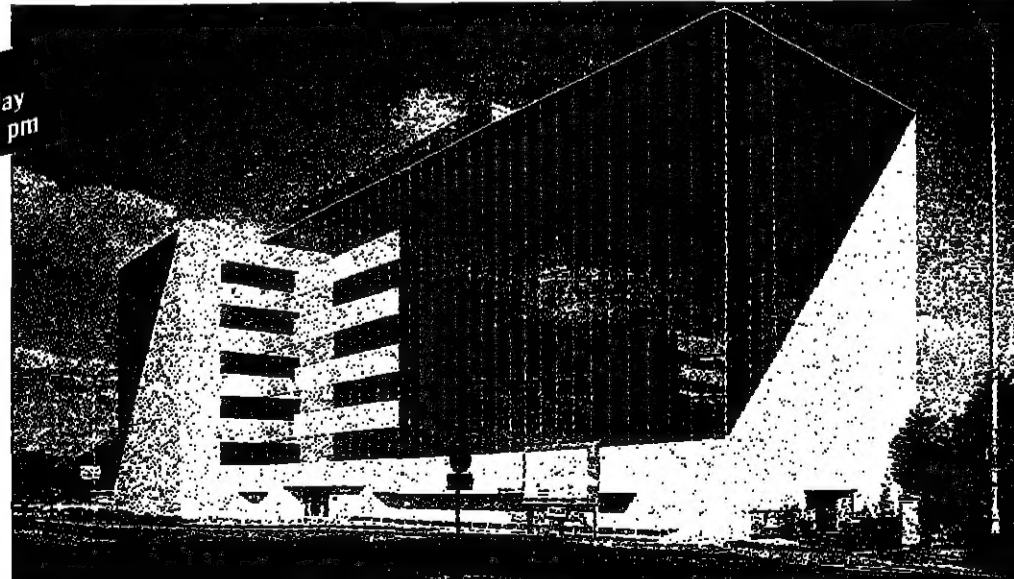
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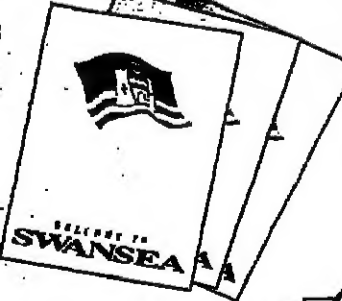
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FT SURVEYS



## UK NEWS

## UK building executives fear 50,000 job losses

By Andrew Taylor

A FURTHER 50,000 jobs are likely to be lost this year by the UK construction industry, which expects annual output slump to the lowest level for six years, building industry executives warned yesterday.

Mr John Smith, chairman of the Building Employers Confederation, said at least half of all construction contracts won recently by companies were less making or had been achieved at zero margin.

The confederation, which has more than 9,000 members, yesterday published its latest workload survey, showing that more than two thirds of builders expect output to fall during the next 12 months.

More than 75 per cent of the 600 companies questioned at the beginning of this year said that they were working at between two thirds and three quarters of capacity.

Mr Smith said the only chink of light in the survey was that slightly fewer companies, on balance, were reporting a decline in inquiries for work. There was also evidence that more companies were undertaking repair and maintenance work. The situation facing the industry, however, "remained terribly serious."

The survey will make gloomy reading for Government ministers who may be hoping that an upturn in the housing market will stimulate greater confidence in the economy as a whole.

Mr Smith said that since the new year there had been a sharp increase in interest from would-be house purchasers but that this had still to be turned into firm sales. Even if the upturn was sustained, it would be unlikely to benefit house-builders until the end of the year - such was the large overhang of unsold properties on the market.

The number of construction company liquidations, which last year rose from 5000 to 7000, were likely to remain high.

The collapse in residential and commercial property sales and values has hit a large number of construction companies which had moved into speculative development during the 1980s.

## Major presents blueprint for better services

By John Willman and Allison Smith

THE prime minister yesterday took the general election campaign on to territory held traditionally held by the Labour opposition with a pledge to put the improvement of public services at the heart of his government's programme.

Addressing a conference in London, Mr John Major presented an upbeat assessment of the progress in implementing the citizen's charter as a "blueprint to deliver higher standards" in public services.

He announced details of two measures to strengthen the charter's drive to improve services: the charter mark, an award for excellence in the public services; and a new telephone helpline - the Charterline - to provide information to the public on the charter.

The Labour party denounced the initiatives as electioneering. Mr Neil Kinnock, the Labour leader, said: "When the government promises better services without better investment they simply show what a confidence trick they are trying to pull."

Mr Major told a conference of senior executives in the public sector and privatised industries that although the citizen's charter was only six months old, its effects were building fast. Among the improvements in public service which had resulted were:

- guaranteed maximum waiting times for health service operations;
- annual reports for schoolchildren, and league tables of school performance;
- more flexible opening hours for tax offices, Jobcentres, and benefits offices;
- fixed appointment times for gas and electricity officials.

"Too often the public are treated as if they were the lucky recipients of a free service," Mr Major said.

He outlined plans to strengthen the inspection of services such as police, social work and probation by including "outsiders such as professionals, users, commonsense citizens" in their inspectors.

The prime minister urged local authorities to seek out ways of helping businesses which find that different authorities apply the same laws in different ways.

Analysis, Page 15; Joe Rogay, Page 15

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Analysis, Page 15; Joe Rogay, Page 15

## MANUFACTURING TRADE DEFICIT

## Exporters shine in economic gloom

By Peter Marsh, Economics Staff

EXPORTERS pushed up sales volumes to record levels in the final quarter of 1991, providing a dose of optimism to counter the gloom caused by the recession.

The good progress of exports showed up in figures released yesterday by the Central Statistical Office (CSO) on the manufacturing trade deficit for 1991. At £3.5bn, that was the smallest annual deficit for eight years, and compared with a deficit of £11.4bn in 1990.

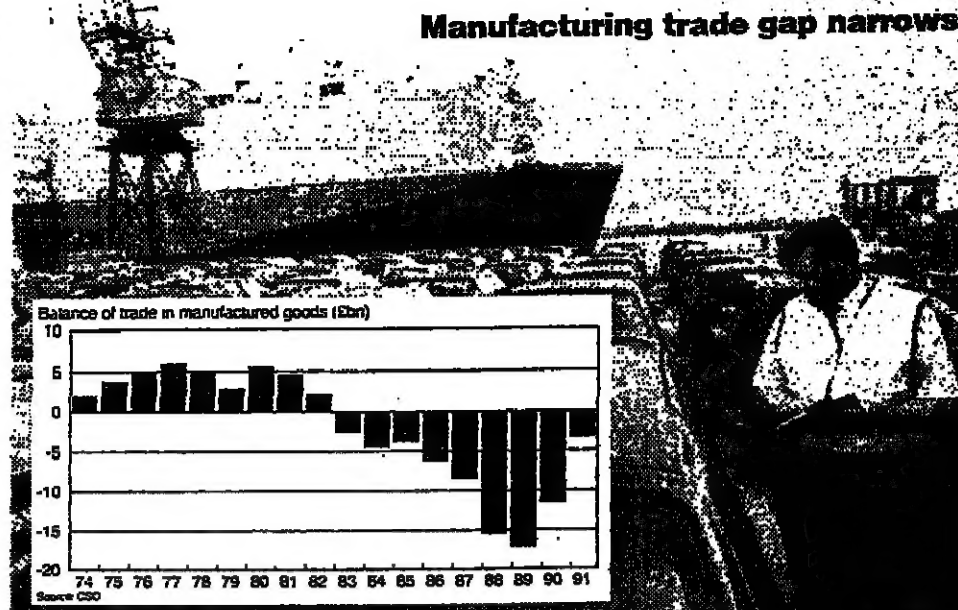
A measure of exports often taken to indicate the underlying trend - which excludes oil, and high-price, erratic items such as ships and gems - was up 2 1/2 per cent between October and December, compared with the previous quarter.

Overseas sales of manufactured goods, which account for about four-fifths of all exports, grew by nearly 3 per cent in 1991 compared with 1990, from £82.8bn to £85.1bn.

Manufactured imports fell sharply, from £94.3bn to £88.6bn, due to slack UK demand caused by the poor economic climate.

Car exports in 1991 climbed to £4.1bn from £3.3bn in 1990, while imports were cut to £5.5bn, from £7.4bn the previous year. That gave a trade deficit for cars of £1.4bn, the lowest figure since 1981.

In December, the value of all



merchandise exports was £9.0bn, 2 1/2 per cent up on November, while the value of imports was little changed at £9.8bn. That produced a deficit on merchandise trade last month of £88m, as against a revised £930m deficit for November.

With the CSO's assumption that invisible trade services and various financial payments - produced a £300m surplus in December, the total deficit on the current account last month comes out at £388m.

In November, the figure was £400m.

Britain's trade deficit with the rest of the European Community, which accounts for roughly half UK trade, fell particularly sharply in 1991 to £1.5bn, from £1.9bn in 1990.

Trade with Britain's two biggest overseas business partners

showed a differing pattern. While the deficit with Germany fell to £2.0bn last year from £2.8bn in 1990, the deficit with the US edged up from £1.4bn to £2.2bn.

In the final quarter of 1991, exporters with the best growth performance included makers of food, drink and tobacco products which showed an 11 per cent increase in volumes on the previous three months.

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Trade with Britain's two biggest overseas business partners

## British Gas poised to buy power station in Ulster

By Juliet Sychara

BRITISH Gas is likely to buy one of the four power stations up for sale in Northern Ireland, the government revealed yesterday.

British Gas is expected to buy Ballylumford, Northern Ireland's largest power station, which supplies about half the country's electricity.

A partnership between Tractebel, the Belgian power conglomerate, and Associated Energy Supply (AES), the US power company, was tipped as likely to buy two more stations, while the fourth may go to a management buyout team.

The sale of the stations will be an important step in the privatisation of Northern Ireland Electricity (NIE), the state-owned electricity genera-

tor and supplier.

Legislation enabling the sale of NIE to proceed is expected to be in place by mid-February, after which the new companies, replacing NIE will be formally created.

The company's four power stations will be sold as individual units, while NIE's electricity supply business will be sold to the public in November.

AES, which has invested in a new power station in Kent and Tractebel are expected to buy the newest station Kilroot and the old Belfast West station.

The fourth station, Coolkeeragh, will probably be bought out by management.

There will initially be no electricity pool or wholesale market in Northern Ireland.

## Big industrial customers face cut in gas supplies

By Deborah Hargreaves

BRITISH GAS, the UK supplier and distributor, faces a severe gas shortage by the mid-1990s which may force it to cut supplies to some of its biggest customers, such as Imperial Chemical Industries (ICI), which take large amounts of cheap gas, the company said yesterday.

Mr Cedric Brown, senior managing director, said: "It is inevitable that we will have to withdraw significantly from the interruptible market by 1994-1995. Interruptible customers get their supply nearly 10p cheaper than other industrial customers, as they agree to be cut off at four hours' notice during peak times."

The looming gas shortfall may cost companies such as ICI and British Steel several

million pounds more in fuel bills a year, as they will have to rely on alternative fuels such as heavy oil or gas oil.

Mr Brown said the shortage will arise partly from the amount of gas that is being sold to new power stations.

The power generation market has grown during three years to half the size of British Gas' entire industrial market of about 10bn therms a year.

"We have been voicing our concerns about the scale of growth in this market and its impact on the rest of the market to the Department of Energy for quite some time," Mr Brown said.

British Gas perceives a shortage of 1.5bn to 2bn therms by 1994.

As part of British Gas' deal

with its regulators to aid the development of competition in the industrial market, the company has agreed not to buy any new gas for the next three years. At the same time, it will release part of its existing supply to rivals.

Even if British Gas could contract to buy new supplies, Mr Brown is sceptical that imports from Norway could fill the gap. Norway has little new gas available before the second half of the 1990s and that is at a price higher than the prevailing UK price.

Mr Brown also foresees a substantial rise in price for industrial customers as supplies become tight. At the same time, the company has warned that domestic customers may face price rises when British

Gas hives off its transport division into a separate company, which it is required to do as part of its agreement concerning competition with the regulators.

"I don't think many of our customers realise that service standards could slip when we separate the businesses," Mr Brown said. That was because services relating to the movement of gas through the pipelines will not be dealt with by the same representatives as those dealing with appliance services.

British Gas' regulator will soon be releasing figures which show that the number of complaints it received about British Gas last year rose by more than 100 per cent to 400 contacts, he added.

## Sharp rise in bias cases for Acas

By David Goodhart and Catherine Milon

A RECORD number of unfair dismissal or discrimination cases was referred to Acas, the government conciliation service, last year. The total was 60,605, an increase of more than 15 per cent on 1990.

The figures, which will be published officially in the spring, show the increased readiness of individuals and unions to pursue such cases. They also reflect the depth of the labour shake-out which began gathering pace from the middle of last year.

Acas has a statutory duty to try to conciliate between employees and employers before a case goes to an industrial tribunal, and is usually successful in this. Of the 60,605 individual conciliation cases referred last year, 35 per cent were settled at Acas, 32 per cent were withdrawn and only 33 per cent went to tribunals.

The most dramatic percentage increase last year was in the area of sex discrimination where, according to Mr Brian Atkins, director in charge of individual conciliation. That was mainly because of a wave of cases influenced by the European Court's Barber judgment, which extended the definition of pay in equal pay cases to include pensions.



Brown: voicing concern

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## UK NEWS

## Politicians postpone negotiations on Ulster

By Ralph Atkins  
NORTHERN Ireland's political leaders agreed yesterday to postpone attempts at starting formal negotiations on the province's future until after the general election.

Mr Peter Brooke, Northern Ireland secretary, aimed to announce a decision as he put efforts to resume "round table" talks on hold during a 90-minute meeting at Westminster with the province's four main political leaders.

The announcement may mark the end of Mr Brooke's efforts to reconcile Unionist and nationalist aspirations. In his two years in the province he has won rare praise for a Northern Ireland secretary after starting "round table" talks last year, only to see them bogged down by procedural disputes.

Ministers have felt frustrated that even the increased concern about terrorism in the province has failed to generate sufficient political will to overcome the main obstacle to talks - the question of whether they could continue under a Labour government.

Mr Brooke later issued a statement emphasising the "great potential" of dialogue.

## New airline gives Airbus a boost

By Paul Betts, Aerospace Correspondent

THE launching of a new UK charter airline yesterday gave the European Airbus consortium an important psychological boost with the new carrier announcing that it would start operations in May with three A320 twin engine airliners.

The advanced highly computerised aircraft has been at the centre of controversy as an Air Inter A320 crashed in France last week, killing 87 people.

Mr Bob O'Donnell, the managing director of the new charter airline called Excalibur Airways, said that he had no doubts about the integrity of the A320's systems. In two previous crashes, the aircraft, its systems and engines had been cleared and Mr O'Donnell said he expected the aircraft to be exonerated in the latest accident inquiry.

Investigators are still trying to discover the precise cause of last week's A320 crash, but the French civil aviation authority said an initial examination of the aircraft's flight recorders had yielded no reason to ground other A320s.

The new airline is the first UK charter carrier to operate the A320 on charter services. British Airways operates 10 A320s on scheduled routes.

The new airline has been constituted following a management buy-out of Trans Europe Airways UK, the British charter subsidiary of the



Excalibur plans to order the A320 (above) for its services

collapsed TEA Belgian airline, forced to suspend operations last September after the demise of its Belgian parent.

The new airline is the second UK carrier to have been reconstituted from the collapse of previous carriers. The other is Euroworld Airways, the Gat-

wick-based commuter subsidiary of the Air Europe group, which relaunched operations under new management last year and renamed itself last week Cityflyer Express.

The management of the former TEA UK charter airline have been backed in their buy-out by 31, the British investment capital group, and Air Malta. Both 31 and the Maltese national airline are taking a 30 per cent stake each in the new Excalibur Airways with the five man former TEA UK management team investing in the remaining 40 per cent.

Mr Albert Mical, Air Malta's chairman, said yesterday his airline had been looking for the past two years to invest in another carrier to expand its business. The new charter carrier expects to start operations in May with two A320s based at London Gatwick and one at Manchester airport.

Mr O'Donnell said the A320 had been selected because it offered a longer range and bigger payload than its competitors. Excalibur is leasing the three A320s worth about £85m from GPA, the Irish aircraft leasing group.

Mr O'Donnell would not disclose financial details of the funding of the new carrier but said that it would operate profitably in its first year. He expected the charter market to continue recovering after falling by 5 per cent last year.

## BRITAIN IN BRIEF



## MoD orders inquiry on Gulf shipping

AN investigation is under way into suspected irregularities in the shipping of British troops and equipment to Saudi Arabia during the Gulf campaign, it was disclosed last night.

The Ministry of Defence said documents were seized last month from premises in London and the south-east by MoD police officers.

The documents related to the chartering of ships for Operation Granby - the British contribution to forces in the Gulf.

The UK relied on vessels chartered on the commercial market to move its armoured division with equipment, ammunition and spares. Almost all the ships were non-British flag vessels.

## Tories plan private jails

The Conservative election manifesto will commit the government to extending its programme of prison privatisation, according to Mrs Angela Rumbold, Home Office minister.

Britain's first privately managed prison, the Wolds remand prison at Everthorpe, Humberside, is due to open in April, while a tender competition has been announced for Blakenhurst local prison near Redditch, Hereford and Worcester.

## Travel agency threatens rival

Pickfords Travel is threatening Lunn Poly, the UK's largest chain of travel agents, with legal action over the latter's refusal to carry holiday brochures of seven tour operators who are offering discounts through Pickfords' shops.

Pickfords said if Lunn Poly does not agree to carry the brochures by mid-day today it will take legal action.

The threat follows an instruction by Lunn Poly to its shops on January 23 telling them to take the brochures of the seven operators off their racks and replace them with holiday information from other companies. The operators concerned are The Club, French Life, Jetsave, Meon, Novotours, Season and Sunset.

## Freight park for PowerGen

PowerGen, the electricity generator plans to turn the site of an old coal-fired power station into a £350m freight park, the company announced last week.

The station, Hams Hall in Coleshill, central England is still active, but is due to close towards the end of the year, as part of the company's strategy of replacing old coal stations with new gas plant.

The freight park, which will include a link to the Channel Tunnel, would handle more than a million tonnes of freight a year.

## Water pollution reports double

Reports of water pollution incidents in England and Wales more than doubled in number during the 1980s, according to the National Rivers Authority (NRA).

The NRA's first compilation of annual statistics yesterday showed that there were 28,143 reports in 1990, up from 12,600 in 1981. The biggest increase came in the Northumbria region where reports rose 57 per cent between 1985 and 1990.

The NRA warned that the lack of early data made trends hard to assess, but it said that there was no question that the number of reports had risen.

## Tobacco ban 'to cut smoking'

Banning tobacco advertising in the UK could mean 50,000 fewer 13-15 year old smokers within five years, according to the anti-smoking lobby group Action on Smoking and Health (ASH).

ASH's figures derived from extrapolations of government research conducted in Norway, which banned tobacco advertising in 1975.

ASH also made UK projec-

tions based on government research in New Zealand, where tobacco advertising has been prohibited since mid-December 1990. It argued that if the UK followed a similar pattern to that of New Zealand then cigarette sales could fall by 9bn in the first six months after an advertising ban.

## SFO challenges court ruling

The Serious Fraud Office is to challenge a High Court judge's ruling that it cannot see the transcript of an examination of Mr Muhammad Naviede, head of Arrows, the Cheshire-based trade finance company that was compulsorily wound-up in December.

The SFO has charged Mr Naviede with obtaining £10m by deception from NMB Postbank, a Netherlands company. The criminal proceedings before City of London magistrates court were adjourned last week until June 15.

The ruling was obtained by the Liquidators of Arrows - Mr Scott Martin and Mr Nigel Hamilton, of Ernst & Young - after they had been granted an order under section 236 of the Insolvency Act requiring Mr Naviede to attend for examination.

## People launches Asian edition

The People newspaper yesterday sold an estimated 20,000 copies of its new Asian Edition aimed at the Asian community in Britain.

The popular Sunday tabloid is the first national newspaper to produce a separate edition for the more than 1m people of Asian origin in the UK.

The front page headline in yesterday's Asian edition - the second issue - told how: "Bloodbath Fears Halt Hindu Unity March."

## Chocaholics keep munching

Recession may have caused millions of British consumers to postpone moving house, opt for cheaper cuts of meat and shelve plans to buy new living room curtains. But they are tucking into chocolates and sweets as never before.

Britons last year munched 897,000 tonnes of chocolate and sugar confectionery, or 289 grams per week for every man, woman and child in the country.

## Toll bridge link for Skye divides island dwellers

By James Buxton, Scottish Correspondent

THE controversial plan to erect a privately-funded toll bridge over the sea to the Isle of Skye in the west Highlands of Scotland is to be tested at a public inquiry which begins today.

Many local people reject the principle of a toll bridge on a route which offers no easy alternative and they oppose the formula for setting tolls.

Others object to the design of the concrete box girder bridge. Some oppose the construction of a bridge altogether and would prefer to keep the Caledonian MacBrayne ferries which began operating a 24-hour service last year.

Last month the Scottish Office signed contracts with a joint venture by Miller Group, the Edinburgh-based construction company, and Dywidag of



A vision exciting disagreement: the plans for Skye's bridge have drawn criticism in principle and in detail

Germany. The consortium will build the bridge and have a concession to charge tolls for up to 27 years. The bridge should pay for itself in about 15 years.

The bridge will cost about £25m, of which £5m will be paid by the Scottish Office for the approach roads. It will be the first privately financed toll bridge in Scotland.

The inquiry, which is to be held in Kyle of Lochalsh on the mainland side of the crossing, will consider nearly 200 objections and may take three weeks.

Miss Elizabeth Haran, the Scottish Office reporter to the inquiry, may in theory recommend against the plan for the bridge. However, the contractors hope to start work in April

for completion in early 1995.

Many of the 9,000 people on Skye want a bridge, believing it will benefit the island's tourist industry. A minority of the inhabitants of Skye, including many incomers who have moved there from England, believe that extra tourists will ruin the island and want to preserve its separateness from the mainland.

Recently the National Trust for Scotland which owns part of the land which the bridge and its approach roads will cross agreed with the Scottish Office on modifications to the bridge which will add £1.3m to its cost. Some Trust officials had favoured a more spectacular but expensive bridge of the cable stay type but that objection was dropped.

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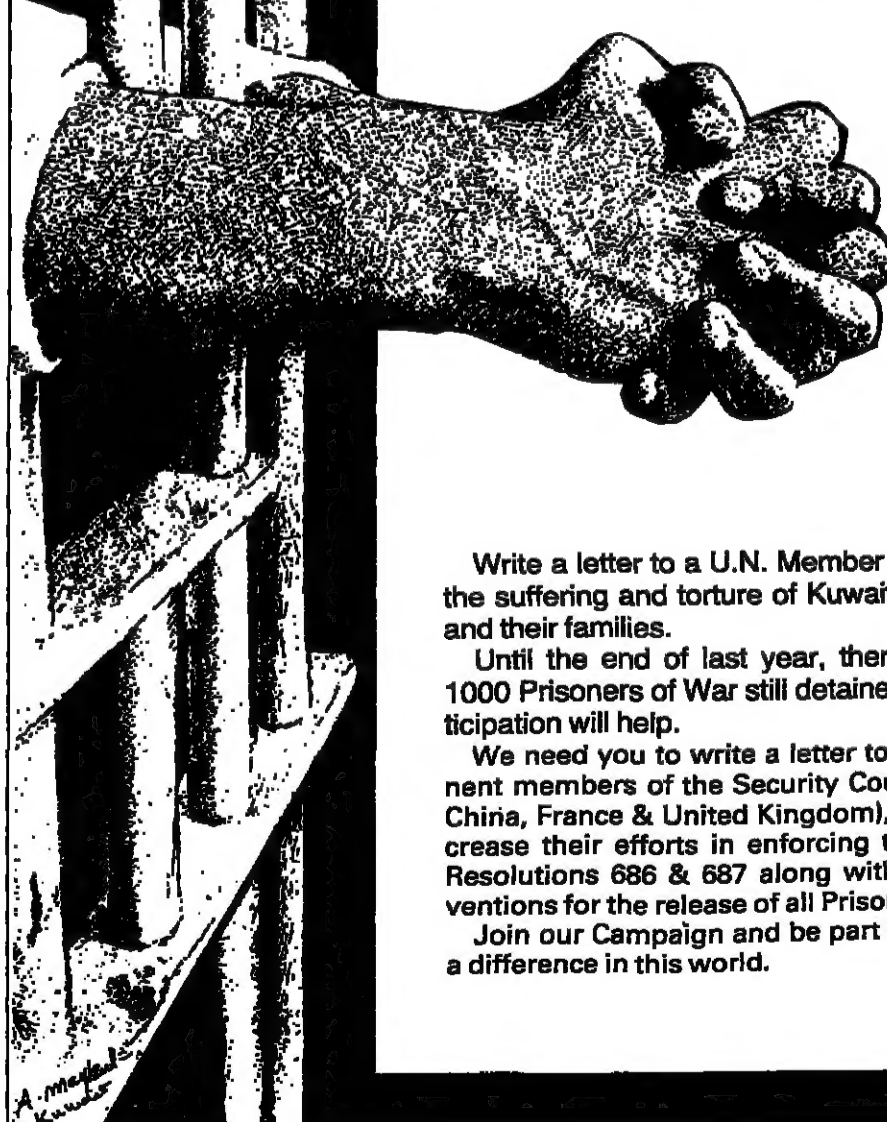
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## MANAGEMENT: The Growing Business

## In a Nutshell

## 3 ayes have it

Britain's small firms should be queuing up to raise venture capital. Their bankers are reluctant to lend and their balance sheets need a boost. In fact the venture capital industry appears to be struggling to attract new customers.

31, the largest UK venture capital group and frequently a bellwether for the industry, yesterday announced plans to target companies in the London area with the launch of a £75m Greater London Growth Fund.

It expects to help 150 companies with sums of between £100,000 and £5m over the next two years. Many growing companies are unaware that long-term investment finance is available because of the venture capital industry's emphasis on management buy-outs and the larger deals, 31 said.

## The grand plan

A course aimed at helping managing directors and chief executives of companies in the £5m-£25m turnover range to develop and implement a strategic plan is to be held at Manchester Business School starting next March.

The course, Fostering Advanced Management Excellence, consists of 124 hours spread over nine months and will involve business school staff helping chief executives and their boards of directors implement the plans they have produced.

Contact Geoff Burton, MBS, Tel 061 275 6537. Fee £3,000. Up to nine places are available.

## Fund of knowledge

A £3m seed capital fund has been launched to provide high-technology businesses based on the Oxford Science Park with funds to develop new products.

The NatWest Oxford Science Park Seedcorn Fund has the backing of the bank's technology unit which will provide technology specialists to appraise projects seeking finance.

Does Britain need yet another network of business organisations to advise and comfort its struggling small firms community? Tom Moffat, the energetic chairman of the Durham Small Business Club, is convinced it does.

Moffat last week launched a plan for a nationwide network of professionally managed, commercially run small business clubs. He hopes to have 20 member clubs by start-up date on April 1 but he is prepared to go ahead with a dozen.

The idea for Small Business Clubs Nationwide is based on the model of the Durham club. Established 11 years ago it now has 400 members, a staff of 20 and turnover in its last year of nearly £1.2m.

There are already several hundred business clubs dotted around the country but most are voluntary, part-time organisations dependent on the enthusiasm and spare time of their managing committees. Some have the backing of local professional firms. Grant Thornton, a medium-sized firm of accountants, supports 16 business clubs. But most of the local clubs wax and wane depending on the level of amateur, local support.

Moffat's plan is to put in place a more professionally organised group of clubs which can pay their own way by providing advice and training services to small firms. They would employ full-time staff and would not be subject to the pressures on voluntary organisations.

## Small firms get clubbed to death

Charles Batchelor considers whether another business network is really necessary

This plan has not met with unbounded enthusiasm from some of the existing organisations in this field. The chambers of commerce, which are to beef up their own national network, have reacted cautiously and are "watching" developments, says Moffat.

The chambers currently have problems enough bringing their own organisation into the 1990s and establishing a working relationship with the newly formed Training and Enterprise Councils (TECs) without an additional challenge from an aggressive business club movement.

Moffat, who runs a publishing and printing business employing eight people, believes many small firms find the chambers too formal or too expensive to meet their needs. "Mrs Cannibody making cuddly toys is not catered for," says Moffat. But the club network he envisages is not just intended to provide a home for the micro-business. Moffat sees their role as providing vital support for the 96 per cent of

growing businesses employing fewer than 20 people.

He envisages the clubs ultimately forming part of a three-tier support network with start-ups helped by the enterprise agencies, smaller established businesses belonging to a club and larger businesses belonging to a chamber.

The chambers reject Moffat's charge that they do not meet the needs of the smaller business. "Well over 70 per cent of our membership employ fewer than 50 people," says Ronnie Jacobson, marketing manager at the London Chamber of Commerce.

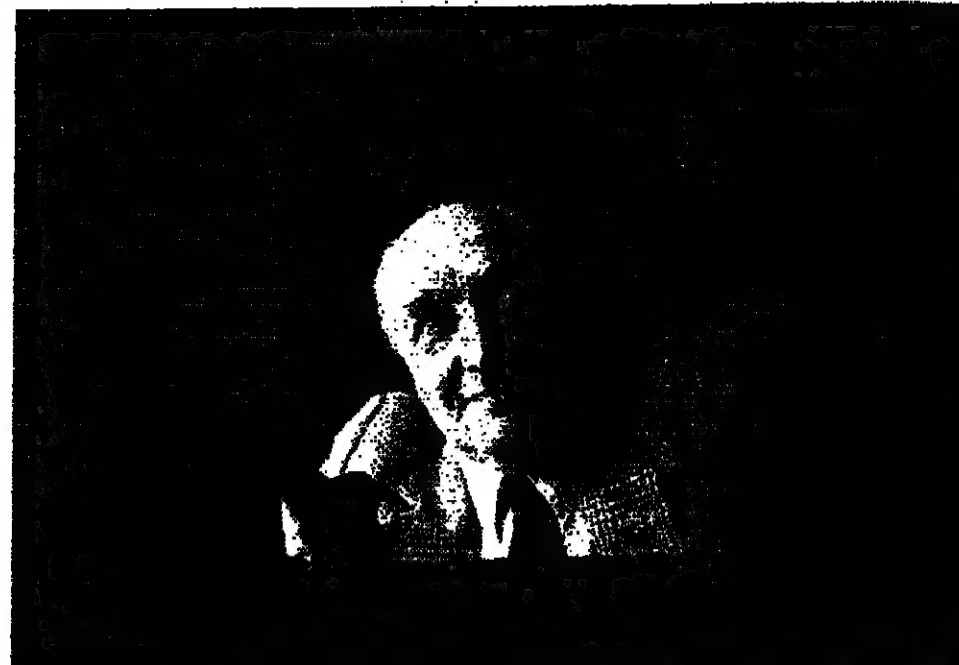
The London chamber charges a minimum annual subscription of £295 compared with the £20-£25 Moffat envisages for businesses which belong to a club in his organisation. But Jacobson says this fee represents good value for money for the chamber's range of services, including a library, help with exports and trade.

The Moffat plan would involve founder member clubs paying £2,500 for a sharehold-

ing in Small Business Clubs Nationwide plc. Twenty members are needed to raise the £50,000 start-up capital required to obtain plc status. The organisation could start on an unincorporated basis with fewer members. Member clubs would also pay £5 a year for each business member to the central organisation. In return they would share in any profits. Moffat believes the idea will appeal to councils, universities and colleges, TECs, chambers of commerce and banks or accountants keen to foster small business networks in their area.

The idea for a national network received a mixed response from more than 70 representatives of small business organisations at meetings held in London and Durham last week. About 25 participants said they were interested in the idea in principle.

Mike Duckett, business enterprise manager of Shropshire TEC, said he could see few benefits for the end user - the small business - from the



Boxing clever: Tom Moffat is trying to start up a nationwide network

creation of a nationwide network. Shropshire TEC sees its priority as supporting the six business clubs set up in the county by providing backing to the start-up businesses which are club members.

Letchworth Business Club, a voluntary organisation with nearly 400 members, was also not convinced that there were sufficient benefits from a nationwide scheme. Regional groupings of clubs might be more appropriate and respond to the local preoccupations of many small firms, said Philip

Harkness, chairman.

Moffat's plan is ambitious and runs counter to recent trends in small business thinking which have favoured a simplification of the small business support network. Too many competing organisations merely confuse small business owners, this argument goes.

But Moffat, an electrical engineer by training, is a determined man. He likes to cite the parallel of Durham County Cricket club, for which he once played and of which he is now a director.

Apart from local enthusiasts few people gave much chance of Durham, for its 108 years a minor cricketing county, winning promotion to the first-class county league. But a carefully managed campaign in which Moffat was involved saw Durham win acceptance to first-class cricket in 1990 and its first match at the top level against Lancashire next April. "People said that was an impossible dream too," he says. "West Pelton House, West Pelton, Co. Durham, DH9 6SG. Tel. 081 370 2266."

## Corporation tax

1988: Net tax charged £38.73bn

Uncollected £1.51bn Collected £11.47bn

Subject to appeal £25.75bn

1989: Net tax charged £49.20bn

Uncollected £1.51bn Collected £14.23bn

Subject to appeal £41.79bn

1990: Net tax charged £58.93bn

Uncollected £1.51bn Collected £15.51bn

Subject to appeal £41.79bn

1991: Net tax charged £68.14bn

Uncollected £1.51bn Collected £16.51bn

Subject to appeal £41.79bn

1992: Net tax charged £77.35bn

Uncollected £1.51bn Collected £17.51bn

Subject to appeal £41.79bn

## Getting in style with Pay and File

The most significant change in decades to the way UK companies pay tax will take place next year when the Inland Revenue introduces the Pay and File system for assessing and collecting corporation tax.

The likely starting date for the new system is September 30, which may appear a long way off but companies should start preparing now.

Pay and File will have tighter time constraints than the present system, and will be accompanied by costly fines, according to Paul Morris, senior tax partner at accountants BDO Binder Hamlyn.

Under the new system companies must pay their estimated tax within nine months of the end of the accounting period and file returns within 12 months of that date. There

will be no scope to defer settlement, as now, and there will be no need to wait for the inspector's assessment.

The penalties start modestly but for tax returns which are between six and 12 months late the penalty is £200 and 10 per cent of the unpaid tax. Returns which are more than 12 months late will incur a higher penalty still. There is no need for the Revenue to prove fraud or negligence.

Since few companies will know their exact liability for tax nine months after the end of the accounting period the Revenue will charge interest on underpayments and pay interest on overpayments. The new scheme should reduce the large sums which the taxman is at present unable to collect because the company has appealed.

Subsidiaries of larger groups will be able to set their liability against losses made elsewhere within the group.

Claims against tax must be made within two years of the end of the claiming company's accounting period or before its tax liabilities have been agreed, if this is later.

Companies most likely to be adversely affected by these changes are those which are poor at collecting tax information or which require a great deal of manual effort to get their numbers together.

Companies should start preparing now to upgrade their systems to take account of the new tax regime, says Paul James, a director of BDO Consulting. He recommends: ● Do your tax calculations once only. At present many companies do their sums

quickly for the purposes of the audit and then recalculate the numbers more carefully for tax purposes.

● Plan to have 95 per cent of the information you need ready in the first four months after your year end, so you can plan your tax strategy.

● Over the next four months complete the collection of information and finalise your strategy in time to pay the tax by the nine-month deadline.

● Complete your calculations and file your computation with the taxman by the 12-month deadline.

CB

Useful reading: Pay and File Special Briefing 12. BDO Tel. 071 489 6074. Three pages. Free. Pay and File by Ned Wilshe. Butterworths. 172 pages. £25.95.

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## BUSINESSES FOR SALE

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The Joint Administrative Receivers, J F Powell and L R Bailey, offer for sale the business and assets of one of the UK's largest shoe retailers.

## Principal features of the business include:

- turnover c. \$50 million per annum
- c. 280 leasehold premises
- head office and distribution centre based in Leicester with branches nationwide
- retail stock value of c. \$13 million
- c. 2000 employees
- in-house manufacturing capacity for the annual production of 500,000 pairs of mens, womens and childrens shoes.

For further information please contact Bob Bailey at Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA. Telephone: 0533 622338. Fax: 0533 536929.

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Cork Gully

## SUFLEX LIMITED

(members voluntary liquidation)

The liquidator of Suflex Limited offers for sale the business and assets of its two operating subsidiaries based close to the M4 near Newport in South Wales

## SUFLEX SLEEVING LIMITED

- Major manufacturer of electrical and thermal insulating sleeving and overbraiding
- Turnover to 31/3/91 £1.3m
- 54 employees
- Order book approximately £135k
- Industry known trade names including Parial and Acrogas

## SUFLEX CAPACITORS LIMITED

- Major UK manufacturer of DC polystyrene and professional custom built capacitors
- Turnover to 31/3/91 £1.3m
- 62 employees
- Order book approximately £160k

For further information please contact the liquidator:

George T Ehlers

North End Farm, Ditchling, East Sussex BN6 8TG Tel (0273) 844829 Fax (0273) 846813

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## Tuf-Loc Limited

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of this well established Runcom based company.

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For further details please contact the Joint Administrative Receiver Nigel Edmondson or Ken Marland at Stoy Hayward, Peter House, St. Peter's Square, Manchester M1 5BH. Tel: 061-228 6791. Fax: 061-228 1545.

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Offers around £100,000 + SAV freehold.  
**NOTTINGHAM-CTN**  
Current average weekly T/O £2,800 exc. VAT. WNB £1,700 at cost. Prominent position on arterial route, outside Nottingham town centre. 3 double bedrooms living accommodation.

Offers around £50,000 + SAV leasehold.  
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For further details contact Paul Durey, Retail Corporate Director at Christie & Co on (0602) 483100

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For further information contact  
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Tel: 091 261 2481  
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For further details contact the Joint Administrative Receivers or Tim Argyle at:

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R. W. Leivers and M. R. Ellingworth on  
Tel (0332) 295544 Fax (0332) 295600

## CPWS

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Chartered Accountants

102 Friar Gate Derby DE1 1FH  
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## BUSINESSES FOR SALE

## Panda Diesels (Newhaven) Limited Panda (Eastbourne) Limited

## (In Receivership)

N.J. Voight and J.M. Iredale, the Joint Administrative Receivers of the above companies offer the businesses and assets of each for sale as going concerns.

## Panda Diesels (Newhaven) Limited

The company operates a sales and after sales service for a major truck manufacturer from freehold and leasehold sites in Newhaven and Westham, near Eastbourne.

- Truck sales business carried on from premises held on a long lease at Newhaven.
- After-sales service and repairs business carried on from the Newhaven premises and also at Westham.
- A further 6 acres of freehold land adjacent to the Newhaven site.
- Approximately 50 full-time staff.
- £3m turnover in year to 31 May 1991 from a large customer base.

## Panda (Eastbourne) Limited

The company operates a luxury car dealership from Westham, near Eastbourne.

- Attractive leasehold property of approximately 11,000 square feet in total with the benefit of a long rent-free period. Adjoining premises also suitable for use as car showrooms.
- Fully equipped car service and repair workshop.
- 5 workshops, 6 sales/support staff.
- £2m turnover in year to 31 May 1991.

For further details of either of the above companies, please contact the Joint Administrative Receivers, N.J. Voight and J.M. Iredale at Cork Gully, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ. Tel: 0522 677118 Fax: 0522 662053

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Cork Gully

The Joint Administrative Receivers of Leisure Times Limited offer this outlet for sale as a going concern. An established fashion bar situated in a prime position in the centre of Leeds, the principal features of the business include:

- Unique building
- Trading profitability with 1991 turnover in excess of £0.5 million
- Fully repairing and insuring lease with 15 years remaining
- Tied arrangement with Pubmaster

For further information and sales particulars contact Michael J. Moore, Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP. Telephone: 0532 457332 Fax: 0532 434567 Please quote reference "Observatory"

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For further information contact the Joint Administrative Receiver, Mike Blake, KPMG Peat Marwick, First Floor, Abbots House, Abbey Street, Reading, RG1 3BD. Tel: 0734 505555. Fax: 0734 588285

KPMG Corporate Recovery

## Builders Merchant

The Joint Administrative Receivers offer for sale the businesses of Trent Bridge Supplies (Nottingham) Limited and Trent Bridge Supplies (Leicester) Limited, as going concerns.

The companies trade from 5 locations - Nottingham, Leicester, Doncaster, Loughborough and Coalville.

Principal features include:

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- Annual turnover of approximately £7 million.

For further information contact the Joint Administrative Receiver, Mick McLoughlin, KPMG Peat Marwick, St. Nicholas House, Park Row, Nottingham NG1 6FO. Tel: 0602 483444 Fax: 0602 483401

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## Touche Ross

## Peak Designs Limited

(In Administrative Receivership)

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For further information please contact John Wilson or Sue Lewis at the address below or at the Company on (0773) 520620.

1 Woodborough Road, Nottingham NG1 3FG.  
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## VOLVO CAR DEALERSHIP

## Caldon of Watford Limited

The Joint Administrative Receivers, J.M. Iredale and C.J. Hughes, offer for sale, as a going concern, the business and assets of this well established Volvo dealership serving South Herts/Watfordshire.

Principal features of the business include:

- turnover c. \$5 million per annum
- established customer base
- experienced and skilled staff
- showrooms, service and parts departments fully equipped to approved Volvo standards
- freehold premises in Watford, Herts.

For further details please contact J.M. Iredale or C.J. Hughes at Cork Gully, 9 Greyfriars Road, Reading, Berks RG1 1JG.  
Telephone: 0734 500336. Fax: 0734 807703.

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Fleurets  
18 Bloomsbury Square  
London WC1A 2NS  
Tel: 071-636 8992  
Fax: 071-636 7490

## Dieline Industries Ltd.

The Joint Administrative Receivers offer for sale, as a going concern, the Engineering Business of the above named company.

Principal features include:

- The business operates from 17,880 square foot, leasehold property in Bromborough, Wirral, close to the A41 and M53.
- Modern plant and machinery.
- Turnover:  
Year ended 30.11.89 £1,945,000  
Year ended 30.11.90 £2,468,000  
Six months ended 31.05.91 £ 784,000
- The company deals with 'blue chip' customers.
- 40 employees.
- Skilled workforce.

For further information contact the Joint Administrative Receiver, Andrew Thompson, KPMG Peat Marwick, Richmond House, 1 Rumford Place, Liverpool L3 9QY. Tel: 051-236 5052. Fax: 051-236 1882.

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## ARTS

# A man of mystic symbolism

William Packer reviews Alan Davie

As I well past his 71st, the celebration of Alan Davie's 70th birthday is more than a little overdue, but none the less welcome for that. He is one of the most distinguished and significant of painters to emerge in Britain since the War, perhaps Scotland's outstanding artist of the period. In the late 1940s especially, and through the 1950s, he was as potent as any, as conspicuous as Bacon and Sutherland, and yet quite alone in his commitment to symbolic, expressionist abstraction.

We might well wonder, therefore, why this show does not command the Tate, and if not the Tate, why not the National Gallery of Modern Art at Edinburgh, where it was first mounted and then abruptly cancelled. Edinburgh where he studied and, for him, a city as long personal association as Glasgow is short. Yet all has come right in the end, for nowhere but in Glasgow, close by Macintosh's art school where his father taught just round the corner into Sauchiehall Street, are there galleries at once so handsome and spacious enough to do justice to his full life's work.

So Davie's Solo fills the splendid McLeellan Galleries until March 22 (then a gap until Bristol in September). There are several pendant shows: in Glasgow, of mixed works, at The Compass Gallery (West Regent Street, through February); and, to be fair, in Edinburgh, of *Works on Paper 1959-91* at the Talbot Rice Gallery (until February 22). A British Council initiative which tours first to Aberdeen and then extensively around South America, and *Tapestries and Prints at Edinburgh Weavers* (until February 29).

He has always shown extensively abroad, most especially in South America; but in London, he has not been for regular exhibitions since Gimpel Fils, his dealers since 1960, we should have seen little of him. As for our public institutions, mixed shows apart, South West Arts gave him a provincial tour in 1978, the Royal Scottish Gallery a retrospective at the Edinburgh Festival of 1972. The British Council showed him in Delhi in 1971, the Graves in Sheffield in 1968. In London the last such show was at the Camden Arts Centre in 1971, before that a touring retrospective that came to the Whitechapel in 1969.

Can such indifference have been a mere chance of fashion, a case of a face



'Serpent Swallows the Fairy Tree', 1971, by Alan Davie, at the McLeellan Galleries, Glasgow

not fitting, a body of work suddenly rendered as invisible as the jazz of which Davie has always been as devoted a practitioner as he is a painter, was suddenly inaudible in the cool and raucous, rocking 1960s? Yes, it can. Davie, like so many prolific and romantic artists, has over-produced uncritically in his time, and gone through periods of uncertainty and even failure in his work. Yet good artists are not always the best self-editors, and a certain unevenness of achievement is hardly surprising in a career now little short of 50 years.

The truth would seem to be that Davie had the temerity not merely to stick to a manner, abstract expressionist, that the received wisdom held to be both out-moded and imitative, but continued with its evolution towards a specifically symbolic, ultimately figurative imagery. If it is hard to categorise - i.e. if it does not fit - leave it out. We have only to walk through this large, splendid show to realise how narrowly mistaken is such a view.

The earlier work, up to about 1960, is consistently extraordinary and enough to confirm Davie's importance had there been nothing to follow. Then comes two decades of transition, sometimes tentative, awkward, sometimes

sure enough; and at last, in more recent years, work again of such assurance and resolution that, its eccentricity notwithstanding, it both validates and is validated by all that has gone before.

He has always been a mystic and a symbolist, intrigued by sign and totem, ever drawn into the attempt at sustaining a kind of visual incantation, instinctively pantheistic and general in his imaginative references and associations, he began obviously enough, close to the romantic expressionism of Chagall and Rouault. By the late 1940s, however, he had abandoned overt figuration, and while his friendship with Peggy Guggenheim in Venice had exposed him to the earlier phases of American abstract expressionism, Pollock especially, he remained firmly European in his sensibility, never persuaded that the surface, the paint, the mark of itself were ever enough.

Although his own personal and visionary heraldry for a while was subsumed in the rich paint, the brooding, atmospheric colours of the broad, freely calligraphic handling - all quite as accomplished as anything of the Americans of the time - it was never dispensed with altogether. Indeed, it remained perhaps the more potent in his imaginative charge for being the

more ambiguous, generalised and unspoken. Not by the titles alone, of his paintings of the 1950s, the *Witches Sabbath*, the *Sundry Creations*, *Martyrdoms and Initiations*, do the black paintings of Goya come to mind.

After 1960, even more so after 1970, the colour clears and brightens and becomes flatter. The pictorial space is now more clearly established, a curious shallow, somewhat theatrical space or room animated by a strange menagerie of symbols - a kind of free-floating still-life of moths, snakes and wheels, stripes and chevrons. The imaginative source is avowedly Celtic, Pictish, a conscious evocation of unknowable magic and ancient principle.

And slowly, as it clarifies and becomes specific, so the figuration in the most recent paintings shifts towards the acknowledged mysticism of the Buddhist and the Hindu, drawn upon the mannered imaginary landscapes and gardens of Mughal miniature and carpets. The later water-colours are especially strong and beautiful in holding both to the open, general influence and reference, and the personal integrity. From the pagan Celtic to the mystical Hindu may seem a strange odyssey, but it is all one.

## The London Vertigo

ANDREW'S LANE THEATRE, DUBLIN

What, I wondered anxiously, is Ireland's leading dramatist up to, adapting an obscure 18th century farce? Do we really need wigs and corsets and cuckolds at a time like this?

It took only a few minutes - up to the moment when John Hurt enters in a preposterous wig as the outrageously affected coxcomb - to dispel all doubts. Brian Friel has cut a bad three-act play down to a very good one-act play lasting 50 minutes. But why? At first the answer seems to be quite simply that he is having fun. And why not? The actors enjoyed themselves, too, and so did the audience, many reduced to tears of laughter.

*The London Vertigo* is based on a play by the Irish actor and playwright, Cathal MacLochlainn, alias Charles Macklin, which was warmly received by Dublin audiences but closed after one disastrous night in London. Born in the 1690s in a remote part of Donegal as an Irish-speaking Catholic peasant, MacLochlainn learnt to speak English with an English accent, changed religion and invented a wealthy, landed background. They loved him in London, where he was a friend of Garrick and Fielding and his *Shylock* was praised by Pope.

The play concerns a less successful effort at changing identity. Murrough O'Doherty's wife is afflicted with London vertigo on returning from a visit to that city, has renamed herself Mrs Diggerty, affects an English accent, covets an English title and is about to cuckoo O'Doherty with an English coxcomb, Count Mushroom. The plot concerns O'Doherty's efforts to cure his wife and humiliate the coxcomb, a highly successful endeavour in which he is helped by his

brother-in-law and a maidservant.

The production, by the Gate Theatre, is playing twice nightly in the 230-seater Andrew's Lane while the Gate is being refurbished. The classical set, by Monica Frawley, makes good use of the tiny stage and the director, Judy Friel, expands it further by judicious use of "voices off". We hear John Hurt before he enters in an amazing beehive wig which meets its match only in Mrs Diggerty's monstrous confection. Gemma Craven's fluting voice is wonderfully suited to the contortions of Mrs B's more English-than-the-English accent and slides effortlessly into the vernacular on demand. Hurt and Craven are an inspired comic duo. The sight of Count Mushroom, disguised as a laundry-woman attempting to seduce Mrs B, is funnier, I am sure, than anything in the pantos across the road. They are ably supported by John Kavanagh as the scheming husband, Eamon Morrissey as his bovine brother-in-law, and Antoine Byrne as the comely serving-wench.

But, in the end, the star of the evening is Friel's adaptation. His convoluted use of asides adds another dimension to the proceedings and recalls an earlier success, *Philadelphia, Here I Come*. And, inevitably, once the laughing has stopped, one realises that Friel is not simply having fun but is making another contribution to the age-old, unresolved debate about the difference between English and Irish identity. Here it is the Irish who triumph and perhaps that is why the original was such a flop in London. This version will, I am sure, travel better.

Alannah Hopkin

## The Shadow of a Gunman

LEICESTER HAYMARKET STUDIO

The recent bombing in Co Tyrone has given a sad, topical edge to Sean O'Casey's 1923 *The Shadow of a Gunman* at Leicester. The production carries its topicality with great tact; it makes the play's issues current yet preserves the historical moment which O'Casey recorded.

O'Casey based this play, originally *On The Run*, around a series of raids on republican "safe houses" in north Dublin over the Easter weekend, 1921. O'Casey had links with the IRA through his secretarialship of one of its constituents, the Irish Citizen Army; and since 1920 the IRA had been conducting insurgency operations. O'Casey was staying in a dilapidated Georgian house raided by British forces; he was untouched, but another tenant was taken away under suspicion of manufacturing bombs.

That real life incident survives in *Shadow*: a poet and a travelling salesman share a room in a republican tenement; other inmates drift in and develop the nationalist cause from various positions: labourers, landlords and shopgirls. The house is raided, and explosives found in a girl's room.

What emerges is a play about how people make political belief intimate with their lives, about degrees of activism. O'Casey jokes coolly, bringing the troubles back home: "a land mine exploding under your bed is the only thing that would lift you out of it." Elsewhere the play's tone shifts to a resigned shrug at the state of Ireland: "After a bit, a gunman throws a bomb as carelessly as a schoolboy throws a snowball."

*Shadow* has the excitement of Conrad's *Secret Agent* and the tenderness of Joyce's *Dubliners*.

Paul Kerryson's scrupulous direction meets the technical demands levied by O'Casey's staging notes: the poet "bears upon his body the marks of the struggle for existence and the efforts towards self-expression" and is well interpreted by John McCormack, Russell Dixon as the salesman, all blarney and belief, turns in a natural, easy performance, as does Angela Clerkia as a love-struck girl willing to hide explosives in her room. Denis Quilligan is a model of unvarnished respectability as a worried tenant appealing to the IRA to resolve a domestic broil.

The set follows O'Casey to the letter, creating a decayed room with collapsible beds; but Charles Cusick-Smith's design successfully incorporates a fitted mural in a rural idyll spattered with blood.

*Shadow of a Gunman* closed after three nights at the Abbey Theatre, Dublin in 1923. The first night box office was 13. The *Irish Times* wanted less tragedy and more satire from the play to increase its longevity. But 70-odd years on, its plain disillusionment has assumed an aspect of inevitability: "I believe in the freedom of Ireland, and that England has no right to be here, but I draw the line when I hear the gunmen blowing about dying for the people, when it's the people that are dying for the gunmen".

Andrew St George



John McCormack as the poet

## Simply Red

WEMBLEY ARENA

You hardly ever come across a pop concert that is as near as dammit perfect. So many things can irritate - the star may have the personality of an insurance salesman; the band may be plugging an album reflecting a change in artistic direction; the venue may be awful and the audience repellent. But Simply Red are currently passing through their Golden Age, or perhaps their Platinum Period, given that their latest album *Stars* is out-selling Michael Jackson, Queen, the Not. Catch Simply Red on tour and restore your faith in pop music.

My irrational dislike of Mick Hucknall, who fronts the band and controls it with the authority of a Spanish traffic cop, an irrationality based on his political posturing; his use of other people's songs - "Money's too tight to mention" - "If you don't know me by now" - for the band's hits; and a hair style best suited to Medusa, melted within minutes. He really has the most bewitching voice, as strong as it is pure, as tingy in the higher reaches as it is funky in the lower. He has also written for *Stars* a batch of classic songs, which could have stepped out of a lost late Beatles album, but updated with the soul strains of the 1970s.

And, just to make the cup overflow, he wears a party suit and a controlling hair band, at least for the first half, and

his current love affair is with the European Community (he boasts the EC emblem as a tattoo) which makes his "message", concentrated in the song "Wonderland", so bland as to be acceptable.

Simply Red, or rather Hucknall, delivers the perfect pop video live. There is a touch of gimmickry for old times sake - the inevitable slides of Mrs Thatcher; a restrained fountain of fireworks for the encore, the insidious "Something's got me started" - but the overwhelming impact comes from the music.

Hucknall is the boss but he has hand-picked a superb band which he allows plenty of rope. Gota, from Japan, is about the only drummer I remember actually watching in happy amazement, while Helton T.P. from Brazil proves you can be a guitar giant and not be flash. Hucknall hardly speaks - but the music pours from him in a well balanced flow, mainly slow songs in the first half then a non-stop boogie after the interval. Perhaps it lacks a bit of good honest sweat; perhaps it is as bit too carefully contrived, son-of-Pleasurewood Mac music for the happy masses rather than meat for the discerning few, but anyone craving a fix of escapist pop should be a ticket.

Antony Thorncroft

## New World Symphony

BARBICAN HALL/RADIO 3

Not the Dvorák, but a young Miami-based orchestra - "America's musical academy" - inaugurated four years ago by the LSO's conductor Michael Tilson Thomas. It employs outstanding players who have completed their studies, but haven't yet joined full-time orchestras. They appeared at the Barbican on Friday and Sunday. Unfortunately I chose the wrong concert, the second, for the sake of the advertised *Of Men and Mountains* by Carl Ruggles (ruggedly original, almost unknown in Britain). They didn't play it, but replaced it with Copland's *Billy the Kid* suite: thin stuff, in all conscience, and not much of a musical exercise for the band.

It was entertaining to hear, with its gun-battle for percussion near the end. So was Gershwin's *Second Rhapsody*, which was a showcase for Tilson Thomas as solo pianist (hard, brilliant, unrelaxed); the New World players got to show off their big-band skills. But again, this is little more than bottom-drawer Gershwin, for all its feverish glitter; and by the interval, all we had learned about the orchestra was that they are keen and highly proficient, and that their current first trumpet is quite remarkable.

The serious challenge, and indeed a daunting one, came with the Fourth Symphony of Charles Ives, in which the London Philharmonic Choir joined. It is

a dense, recklessly inventive work from 1916: plenty of familiar Ives devices the byzantine, the distorted tone bands, the suspended Impressionism - but used on a grand scale, headless of performing difficulties, and to almost supra-musical ends. Certainly it is as much epic music-theatre as music, for prophetic transcendentalist fervour supplies its main drift, in towering waves of sound and fragile, momentary bubbles. Eddying around it, however, are any number of vivid, disparate musical ideas, which need to be brought sharply to life if the score is to work.

When I came home and found that the delayed Radio 3 relay was still going on, I discovered how expertly Tilson Thomas had differentiated Ives' strands, with ready responses from his players, and how well he directed them forward. That had been harder to tell at the Barbican. The second and fourth movements of this symphony pile lines upon lines upon lines, usually fortissimo; in the bright, up-front acoustic of this hall, they soon clotted into indeterminate roars. For home listeners, the BBC engineers and their many microphones sorted that out very well. On the spot, we were impressed but blankly overwhelmed.

David Murray

## INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

### AMSTERDAM

Concertgebouw 20.15 Tamas Gal conducts the Budapest Symphony Orchestra in music by Kodaly, Brahms and Bartok. In the Kleine Zaal: Shostakovich Trio plays piano trios by Smetana and Dvorak. Tomorrow and Thurs: Riccardo Chailly conducts Schoenberg and Bruckner (0718-345). Muziektheater 20.00 Louis Langrée conducts Offenbach's *Les brigands*, also tomorrow. Thurs: Die Frau ohne Schatten. Fri: Nederlands Dans Theater. (0255 455/credit card bookings 0211 211)

### ANTWERP

De Vismasse Opera 20.00 Elgar Howarth conducts Tom Cairns' Opera North production of *Pippin's King Priam*, with a cast led by David Pittman-Jennings, Susan Bullock, Linda McLeod and John Graham-Hall. Repeated on Thurs and Sat (233 6655)

### BARCELONA

Gran Teatre del Liceu 21.00 Mark Ermler conducts Gilbert Delfo's production of Tchaikovsky's *Pique Dame*, with a cast including Sergey

Leiferkus, Jan Binkhof, Natalia Romanova, Leonie Fiedersnek and Claire Powell. Repeated on Fri (412 1466). Teatre Municipal Girona 22.00 Albert Argudo conducts the Orquestra Simfònica del Valles a programme including Mozart's *Symphony No 41* and Beethoven's Seventh (072-201133). Thurs in Palau de la Musica: Ivo Pogorelich. Fri, Sat, Sun: concerts by Barcelona City Orchestra (268 1000)

### BONN

Oper 20.00 Dennis Russell Davies conducts Jean-Claude Riber's production of *Die Zauberflöte*, with a cast including Matthias Hölle, Deon van der Walt and Barbara Bonney. Tomorrow: Ronald Hynd's ballet *Requiem*, music by Johann Strauss. Thurs and Sun: Peter Schneider conducts Willy Decker's production of *Orfeo ed Euridice* (773657)

### DRESDEN

Semperoper 18.00 Friedemann Layer conducts Lulu, also Fri. Tomorrow: Così fan tutte. Thurs: ballet triple bill. Sat: Fidelio. Sun: Arnold Giesman conducts *Generations*, with Kathleen Kuhnlin and Sun in Kulturpalast. Theo Adam sings Frank Martin's *Six Monologues* from Jedermann, with the Dresden Philharmonic Orchestra conducted by Jörg-Peter Weigle (4866 305)

### FRANKFURT

Englisch Theater Kaiserstrasse 20.00 Willy Russell's musical play

Blood Brothers. Daily except Mon till Feb 29 (2423 1620)

### GENOA

Teatro Carlo Felice 20.30 Roberto Abbado conducts John Copley's production of *La bohème*. Also Fri, Sat and Sun (589329)

### LONDON

Royal Festival Hall 19.30 Vladimir Ashkenazy conducts the Royal Philharmonic Orchestra in *Delius' On Hearing the First Cuckoo in Spring*, *Sibelius' Violin Concerto* with Midori and Vaughan Williams' Fifth Symphony. Ashkenazy conducts an alternative programme on Fri. Tomorrow: Young Musicians Symphony Orchestra. Thurs: Franz Weiser-Most conducts the LPO (071-928 8800). Queen Elizabeth Hall 19.45 John Eliot Gardiner conducts the *Orchestra Revolutionnaire et Romantique* in a programme of French choral music including Fauré's *Requiem*, with Catherine Bott, Gilles Cachemaille and the Monteverdi Choir. Tomorrow: Academy of St Martin in the Fields (071-928 8800). Barbican 19.45 Christopher Adey conducts the London Schools Symphony Orchestra in *Martinu's Third Symphony*, Janacek's *Sinfonietta*, and works for violin and orchestra by Vaughan Williams and Howells, with Lorraine McAslan. Thurs: Maria Ewing sings Covent Garden 19.30 Peter Wright's Royal Ballet production of *Giselle*, with Sylvie Guillem. Tomorrow: Così fan tutte. Fri and Sat: La fille mal gardée (071-240 1065)

### MUNICH

Philharmonie 20.00 Georg Solti conducts the Bavarian Radio Symphony Orchestra in *Mendelssohn's Italian Symphony* and *Shostakovich's Tenth* (558080). Tomorrow, Thurs and Sat: Sergiu Celibidache conducts Wagner and Bruckner (48998 614). Staatsoper 19.30 Hansel and Gretel. Tomorrow: ballet triple bill, with choreographies by Ohad Naharin and others. Fri and Sat: John Cranko's *Taming of the Shrew*. Sun: first night of new production of *Traviata*, conducted by Giuseppe Sinopoli and staged by Luca Ronconi (221318). Gärtnersplatztheater 19.30 Hansel and Gretel. Tomorrow: Fiddler on the Roof. Thurs: *La nozze di Figaro*. Fri: *Entführung* (201 6767)

### PARIS

Palais Garnier 19.30 Reinhard Goebel directs *Musica Antiqua* of Cologne in music by members of the Bach family. Tomorrow: Ballet de Marseille in *Sleeping Beauty* (4017 3535). Théâtre des Champs-Élysées 20.30 Katia Ricciarelli and Alessandro

Coliseum 19.30 James Holmes conducts Richard Jones' ENO production of *Die Fledermaus*, also Sat. Tomorrow and Fri: *Xerxes*. Thurs: first night of David Pountney's new production of Humperdinck's *Königskinder* (071-836 3161)

### WASHINGTON

Kennedy Center Opera House Tonight at 20.00, Pacific Northwest Ballet opens a week of performances with the world premiere of Lar Lubovitch's *American Gesture*. Other repertoire includes Balanchine's *Rubies* and *A Midsummer Night's Dream*, plus Bournonville Variations. Daily till Sun (418 4600). Kennedy Center Concert Hall Tonight at 19.00, Matilev Rostropovich conducts the National Symphony Orchestra in *Beethoven's Violin Concerto* (soloist Uto Ughi) and Artyomov's new symphony. Rostropovich conducts another programme on Thurs, Sat and next Tues. Sun: Gennadi Rozdestvensky conducts the Moscow State Philharmonic Orchestra (418 4600)

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Tonight's performance is *Savage Land*, a 1987 opera by the Chinese composer Jin Xiang (runs till Feb 9, with next performances on

Sat, accompanied by Vincenzo Scarlata, sing arias and duets by Verdi, Donizetti, Cilea, Puccini and others. Tomorrow: Yo-Yo Ma and friends play Brahms chamber music (4720 3637). Chabrier 20.30 Armin Jordan conducts the Ensemble Orchestral de Paris in Dutilleul's *Mystère de l'Instant*, Ravel's *Mother Goose* and Britten's *Serenade* for tenor, horn and strings, with Robert Tear (4028 3640). Opéra Comique 19.30 William Christie conducts Les Arts Florissants in Jean-Marie Villéger's production of Lully's *Alys*. Also tomorrow, Fri and Sat (4295 8863)

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Thurs, Sat and next Mon). Tomorrow is the final performance of this season of Les Contes d'Hoffmann (418 7800). Feste Theatre Zora Neale Hurston: *Laurance Holder's* play opens tonight in a production by Wynn Handman. It chronicles the rise and fall of the literary career of the most prolific African-American writer of the 1920s and 30s, who was known as the Queen of Harlem Renaissance. Runs till Feb 23 (3470 4833). Woolly Mammoth African Tourist: *Drury Pifer's* play, directed by Howard Shalwitz, is a complex political mystery set in South Africa, depicting a society in which control of information, rather than the truth, is the key to survival. Runs till Feb 16 (393 9939)

### ZURICH

OPERA Tonight at 19.30 in the Opernhaus, Rafael Frühbeck de Burgos conducts *La bohème*, with a cast including Sona Ghazarian and Bolko Zvezlov, also Sun. Tomorrow and Sat: ballets by Bertrand d'At and Bernd Roger Blenert. Thurs: *Die Zauberflöte*. Fri: *La forza del destino* (262 0909)

### CONCERTS

Tonight at 20.15 in Theater 11, Jonathan Brett-Harrison conducts the Zurich Chamber Orchestra in music by Britten, Elgar, Hindemith and Mozart (252 1737). This week's programme in the Tonhalle includes Haydn's *Creation* on Wed and Fri (201 1580). On Sun, the Labèque Sisters are soloists in a concert given by the Zurich Chamber Orchestra (252 1737)

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#### MONDAY TO FRIDAY

CNN 0730-0800 Moneyline 1330-1300 Business Morning 2130-2200 (Tues) East Europe Report - weekly in-depth analysis from FTTV 2130-2200 (Wed) FT Business Weekly - global business report with James Bullion 2130-2200 (Thurs) Talking Heads - International Issues

#### SATURDAY

CNN 0730-0800 Moneyline 0900-0930 World Business This Week - a joint FTTV/CNN production 1540-1610 Moneyline 1900-1930 World Business This Week

#### SUNDAY

Super Channel 1800-1830 FT Business Weekly Sky News 1330, 1830, 2030, 0030, 0230 FT Business Weekly CNN 1800-1830 World Business This Week



## FINANCIAL TIMES

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Tuesday January 28 1992

## New ideas on nuclear arms

OF ALL the risks associated with nuclear weapons, the break-up of a nuclear power was one that nobody contemplated. In recent months, the search for reassurance on the nuclear front has been a prime focus of east-west diplomacy.

The subject will be high on the agenda at Friday's UN Security Council summit and involves ensuring a centralised, trustworthy command system for the former Soviet Union's nuclear arsenal; securing the non-Russian republics in their stated non-nuclear intentions; preventing the leakage of weapons, parts or expertise to would-be proliferators; and keeping Russia to the promises and treaty commitments made by Mr Mikhail Gorbachev to withdraw and destroy much of its stockpile. It is hoped that these plans will be extended in response to further US arms reductions.

There is scope for western governments to help the republics fulfil these aims. The cost of some measures would be marginal; even the more expensive would be cheap compared to the cost of failure. If necessary, the west should be prepared to make financial aid contingent upon co-operation in defanging the nukes.

The US congress has authorised \$400m of Pentagon money to help with storage and destruction of Soviet nuclear arms, a sum not yet taken up. It is perhaps not surprising that the Russians should hesitate before handing over responsibility for dismantling their most secret weapons. But there are other ways in which the US and its allies can help, and which can be made acceptable to the recipients.

Some 13,000 of the ex-Soviet Union's 27,000 deployed nuclear warheads are already on the elimination list. Using current Russian facilities, it would probably take 10 years to cope with them. In addition to these and subsequent arms-control cuts, there are thousands more old weapons in storage that need dealing with.

## Central storage

The safest first step would be to ship all the weapons due for elimination to central storage in Russia. The west could assist in setting up a team to carry out inventories and in

arranging for weapons to be transported, grouped and disabled so that they cannot be fired.

More ambitious would be a western-built plant for the complex business of dismantling the weapons. This entails dangers both for security - keeping track of fissile materials and parts such as triggering mechanisms and guidance systems which proliferating nations would be only too keen to lay hands on - and for the environment. A programme would also be required for recycling weapons-grade uranium into civil fuel and for handling the plutonium warhead cores.

## Foolproof precautions

A case can be made for leaving the nuclear materials in the weapons, as a lesser risk if foolproof precautions cannot be secured.

Either way, there would be a need to place stored warheads or materials under some agreed form of supervision. This could be done by the International Atomic Energy Agency, but that would require a big increase in its \$75m-a-year inspection budget.

A further target for western financial help involves Russia's own nuclear weapons community. There are reckoned to be tens of thousands who could be of use to a country seeking nuclear arms, including 5,000-7,000 experienced in specific weapons-related technology.

Suggestions that the west might pay such scientists and technicians directly - for instance in projects for cleaning up pollution from the Soviet weapons programme - should not be dismissed as madcap. Direct assistance for what would be tantamount to a selective welfare scheme might raise political objections in the US, but it could be carried out indirectly through an international organisation. Russian officials have suggested \$1,000 a month would be enough to persuade a scientist to stay put. At that rate, several thousand could be employed for the next 20 years for much less than it would cost Britain to procure a new sub-strategic nuclear missile for its air force. In terms of the security it would buy, it would be good value.

## Facing down the telephone cartel

A BLIND SPOT in the UK government's largely enlightened telecommunications policy has been its failure to introduce competition in international communications. Last year's White Paper abolished the BT/Mercury Communications monopoly for domestic communications but did not open the door to competition for carrying international calls.

Ministers' intentions to open up the international market to "resellers" - which lease telecommunications capacity in bulk and then sell it on to customers - will go some way to remedy this defect. But the government's inclination to allow competitors to build their own networks is disappointing. The recent licence application by Sprint, the third largest US long-distance telecommunications carrier, will put this policy to the test.

The market for international calls, where cartel practices keep call charges at about three times costs, is more in need of competition than any other part of the telecommunications sector. Even in the UK, competition between Mercury and BT has had only a modest success in bringing prices down. Although re-sale would exert further downward pressure on prices, this is likely to benefit only large business customers.

Full network competition, on the other hand, would bring benefits to the whole economy, as well as exerting downward pressure on underlying costs. The construction of more fibre-optic cables landing in Britain would also enhance the UK's position as Europe's telecommunications hub.

Paradoxically it is the industry's cartel practices which make it difficult for the government to open up the market. But doing nothing will only serve to delay the cartel's demise.

## Closed markets

One concern is that most foreign telecommunications markets are closed to British companies. Rather than use this as an excuse, ministers' response could be to award licences to those companies which are not able to rig competition by relying on unfair advantages at home.

Some argue that no foreign

governments would pass this legislation if the market is fully open. Even the US - and therefore Sprint - would be barred because it imposes a heavier regulatory burden on foreign telephone operators than on US ones.

Such a purist attitude would be a recipe for stagnation. It is no account of the fact that the US has recently agreed to change these regulations. It also ignores the fact that foreign companies are able to operate in the US, as shown by Cable and Wireless's long-distance network and BT's US-based Syncomedia venture, which aims to give up multinational business customers.

## Distorting competition

Another concern is that granting a foreign telephone company an international licence might distort competition in the UK. This is principally because of the arcane accounting rate system which determines how much telephone companies in one country pay their counterparts in other countries for delivering international calls.

The particular fear is that the foreign company would discriminate in favour of its UK affiliate by charging it less for delivering calls from Britain than it charges BT and Mercury, and by giving its affiliate all its international traffic to deliver in the UK, bypassing the British operators.

Again, although such fears have some validity, the response should not be a blanket ban on new network competition. It is possible to imagine a range of different safeguards to prevent foreign companies distorting competition in the UK. Some have already been pioneered in the US market, such as requiring all international operators to agree the same accounting rates in dealing with foreign carriers to guard against discrimination.

The government should therefore award full network licences to any applicants which can show that they will not distort competition. Rather than being defeatist in the face of cartel practices, it should use its imagination to open up a part of the market which is crying out for competition.

Mr Carlo Ripa di Meana, the European Commission's environment commissioner, calls it "a turning point in our whole environmental policy". Others see it as the EC shooting itself not just in the foot but both feet at once.

Mr Ripa di Meana's plan to introduce a carbon tax as part of a package of measures to combat harmful emissions is one of the most ambitious fiscal and environmental moves that has yet been contemplated within the EC. If it succeeds, it will force consumers throughout the Community to cut back on dirty forms of energy like coal and petrol and, in the process, raise huge revenues - according to EC estimates, as much as Ecu60bn-Ecu65bn (£43bn-£48bn) - which could be recycled to reduce other taxes.

Although the plan has already made much more headway in Brussels than many people had expected when it was unveiled last year, it still faces huge obstacles. Large segments of industry are bitterly opposed to it, the EC's international trade lobby has denounced it as a self-imposed handicap, and tax experts have criticised it as a regressive step, because poor people allocate a larger part of their household budgets to fuel. There is even a body of opinion which doubts that it would work at all.

None the less, Mr Ripa di Meana hopes to secure political backing from his EC colleagues for a detailed plan by late spring. He is encouraged by the fact that it has already survived several ministerial councils, through which policy proposals have to pass, including those of the economics and finance ministers. Being a fiscal measure, however, the proposal will still have to go through the EC Parliament and receive unanimous approval from the Council of Ministers.

An important meeting of the ministers most closely involved - the energy and environment ministers in December gave it the green light, although with a distinct yellowish tinge. The EC had hoped to come up with a statement that the tax will form the basis for the Community's attack on global warming. Instead, the best ministers could agree was that it is likely to do so.

The timing for Mr Ripa di Meana is crucial. He wants to be able to attend the UN "earth summit" in Rio de Janeiro in June brandishing a piece of paper to prove that the EC is doing its bit to save the environment. This would put pressure on the US and Japan to adopt a similar tax and help him pacify his critics back home. But he also realises that if he fails to win international support his whole plan could, in his own words, become "a fiasco".

Mr Ripa di Meana's proposal, worked out in conjunction with Mr Antonio Cardoso e Cunha, the EC energy commissioner, marks a departure from the earlier trend of tackling environmental problems through rules and regulations. But the intention is that the tax should be based on the same principle: the polluter pays.

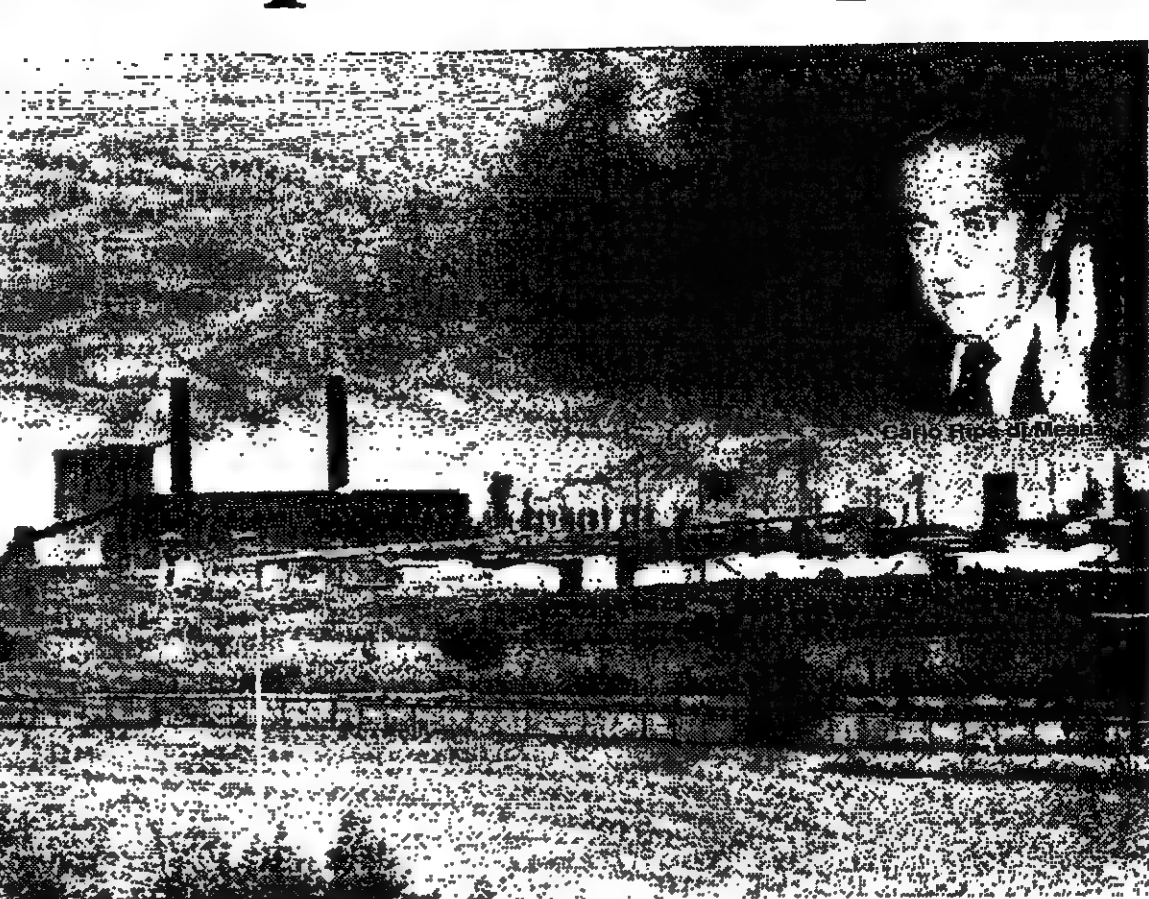
It would take the form of a combined energy and carbon tax to be introduced in 1993 at the rate of \$3 per barrel of oil - current price, about \$18 a barrel - or its equivalent in other fuels. The tax would rise by \$1 a year to \$10 in 2000. By driving up fuel costs in this way, the tax would force users to become more efficient.

The tax would be based on both the carbon and overall energy content of fuel. The carbon element would penalise fuels with high emissions of carbon dioxide, the gas widely blamed for global warming. The energy content would encourage greater energy efficiency, and tilt the balance in favour of renewable forms of energy such as hydro and wind power.

Mr Ripa di Meana concedes that the tax would place a heavy burden on energy-intensive industry, so he is willing to exempt heavy sectors such as steel and cement. But special treatment would be removed if leading

David Lascelles reports on progress towards a carbon tax in the European Community

## A mission to make the polluters pay



Ripa di Meana: "This is a chance to make European industry a leader in a green-oriented market"

industrial countries outside the EC introduced similar taxes.

Another sweetener is Mr Ripa di Meana's proposal that the carbon tax should be fiscally neutral - that all revenues should be used to offset other taxes. As the tax would be collected at national level, member states could decide for themselves how to spend the revenue windfall. Because of this, the plan is being presented as a "tax shift" rather than a new tax.

Mr Ripa di Meana's best chance of getting his tax lie in harnessing to the

rising tide of popular concern about pollution and global warming. Not surprisingly, his strongest supporters include the environmental and energy conservation lobbies, and these could be marshalled into a powerful - if rather diffuse - political force.

But arrayed against him is a large number of the EC's powerful industrial lobbies and trade groups, which argue that self-regulation would be a better means to the same end. Among them is Euroelectrics, the trade group representing the EC electricity industry which would be the sector most

affected. According to the group's Brussels lobbyist, Ms Angelika Riedl, the plan would harm EC growth prospects and distort international competition by pushing up industrial costs. The competitiveness issue may prove Mr Ripa di Meana's biggest stumbling block. By his department's own calculations a \$10-a-barrel tax would push up the price of industrial gas by a third and of hard coal by nearly 80 per cent. In transport, the price of petrol would rise by 8 per cent and of diesel by 11 per cent. At present, Japan and the US do

## Tax takes its toll in Sweden

Sweden's tax on carbon dioxide emissions, introduced last year as part of wider tax reforms, is being strongly opposed by industry, writes Robert Taylor.

Already suffering under a recession, the country's industrial groups argue that the high energy taxes they face put them at a competitive disadvantage vis-à-vis international rivals.

Among energy taxes, the carbon dioxide tax - aimed at stabilising the amount of carbon dioxide emissions at the 1990 level until 2000 - is the principal irritant.

The charge was imposed on carbon dioxide emissions from petrol and diesel fuel, natural gas, liquefied petroleum and kerosene. The tax amounts to 4 cents per kilogram of CO<sub>2</sub>, in effect a tax increase of

9 cents per litre (22p per gallon) of petrol, kerosene, diesel, and kerosene. The tax would exempted from the tax. It is estimated that the tax will raise as much as \$2bn in its first year.

The carbon dioxide tax has added substantially to costs for industrial consumers: the cost of a cubic metre of heating oil has risen by SKr730, an increase of 20 per cent; a tonne of coal now costs 40 per cent or SKr620 more; the cost of natural gas has risen by SKr535 per cubic metre, up by 30 per cent; and gasoline costs SKr1750 a tonne more, a rise of 20 per cent.

A recent parliamentary investigation into the impact of the energy taxes on industry recommended that the tax should be cut by as much as 80 per cent.

The study said the tax was costing industry some SKr20bn a year in potential losses and had already led to the loss of some 10,000 jobs.

But any sweeping reduction of the tax is likely to be resisted by the pro-environment Centre party, an important member of Sweden's coalition government.

The government is expected to deliver its response to the parliamentary committee's recommendations by spring. But a compromise will almost certainly have to be thrashed out by then to satisfy the competing claims of industry and that of the Centre party.

The Centre party, whose leader, Mr Olof Johansson, heads the environment ministry, believes the EC's proposed environmental package itself is not tough enough.

## Gift of tongue

As next boss of the UK arm of Unilever, Michael Perry has an important advantage over fellow-Brits who've held the job before. He speaks Dutch, and so can converse with his counterparts at Unilever NV in their own language.

Having joined Lever Brothers as a management trainee 35 years ago, Perry spent his early years as a brand manager in Holland and two thirds of his career has been overseas. But by the time he became president of Unilever (Japan) his interest in extending his linguistic skills had subsided.

Although Perry cannot be regarded as a mere caretaker chairman of the group's British undertakings, he is less than four years younger than Sir Michael Angus, who steps down as chairman in May. With Morris Tabakshian's name pencilled in as the eventual successor to Floris Maljers, chairman of Unilever NV, 46-year-old Niall FitzGerald seems to be the frontrunner to succeed Perry. If he did, he would have more time to impose his mark on the business.

Not that Angus shows signs of wanting to cut his workloads as he nears retirement. He is increasingly involved in sorting out the problems of National Westminster Bank, and over the next few months will take on the chairmanship of Whitbread and the presidency of the Confederation of British Industry. If British Airways ever sealed the knot with KLM he would make an ideal chairman of the mega-carrier. But does he have time to take on yet another big job?

## Surprise move

Once upon a time the NatWest itself was a great British institution like Unilever, with its management succession seemingly cast in stone. However, yesterday's



"Goodbye Piccadilly, farewell Leicester Square..."

boardroom upheavals there are the surest sign yet that chairman Lord Alexander plans a radical overhaul of the troubled bank's top team. By promoting NatWest golden boy Derek Wansley to be one of two new deputy chief executives, he has leapfrogged a generation of NatWest bankers who might have felt they should have been given a chance of succeeding Tom Frost, the present NatWest chief executive, who has been doing the job since 1987.

Frost is 58 and due to retire in August 1993, but his period at the NatWest helm has not been a happy one and it would not be a surprise if he took early retirement. Like NatWest finance director John Burns, who is going to the TSB, Frost could be forgiven for opting for a quieter life.

Wansley, a Geordie who took a first in mathematics at Cambridge, may be just the new breed of banker NatWest needs to set it back on course. But he has not spent all of his time just piloting NatWest

## OBSERVER

through the retail banking revolution. Besides being an enthusiastic supporter of Aldershot football club, he is an Eric Clapton fan, regularly attending rock concerts. Perhaps of greater note to NatWest's rivals in the banking world is that he is also an outstanding chess player.

Yesterday he modestly tried to play down a widespread legend among his company colleagues that, at the peak of his powers, he could beat 20 simultaneous challengers blindfolded. "If it ever was true, it is not true these days," he said.

## Goodbye Gus

Few will be down in the mouth to hear from sources well placed to know that we shall not long need to wrap our tongues around one of the unhappier pieces of recent verbal coinage: the Commonwealth of Independent States, alias what used to be most of the Soviet Union.

Whatever language it comes in, the title for the uneasy bedfellows of the former Soviet empire is clumsy and cumbersome, besides being virtually meaningless in lacking any geographical indicators. In the UK in particular, it has the added snag of engendering confusion with the British Commonwealth.

The acronym CIS is at least as bad, having hitherto referred to the Charter Institute of Secretaries and the Cooperative Insurance Society. In Germany the acronym is the rather more helpful and familiar GUS, for the Gemeinschaft Unabhängiger Staaten. But it is nevertheless already falling out of fashion in high places.

"We are no longer referring to GUS," a senior German finance ministry official confided. "We only talk about the countries of the former Soviet Union. I'm afraid we don't believe it is going to last that long."

As far as the biggest single creditor of the "countries of the former Soviet Union" (CFSU), Germany should know best. So long, GUS - or alternatively, CIS transit gloria mundi.

## Looney Toons

As Boris Yeltsin announces that his missiles are facing away from US cities, what better way to celebrate than by sitting down with a six-pack and pizza and tuning into Warner's 18 hours of television offerings? Warner Week is currently beaming into 300m homes in the erstwhile Soviet Union on Ostankino's Channel 1 (formerly Gostelradio).

Highlights of the night shows include the gangster action movie, *Bonnie and Clyde*, and the *The Postman Always Rings Twice*, a cinematic tale of murder and betrayal. Ostankino gets the programming free; Time Warner gets three minutes of advertising each hour. The Looney Toons cartoons are on future menus for the hapless ex-Soviets.

Clearly, the lessons of capitalism are being learnt fast.

## If at first...

When two Canadian hunters returned to their hired seaplane dragging a heavy moose, the pilot first refused to risk taking off with so heavy a load. The pair shamed him into it by saying a rival pilot hadn't feared to carry a year earlier.

The plane failed to rise, however, crashing into the lake-side, luckily with no serious injuries, although stunning one of the hunters who woke up asking: "Where are we?" "Back where we were a year ago," said his partner.

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When the prime minister, Mr John Major, launched his Citizen's Charter in March 1991, he said that its aim was to improve "every part of the public services".

Standards would be set out in "clear contracts of service" - contracts which mean something. There would be "financial sanctions" (with) direct compensation to the public or loss to the budgets of those that fall down on the job.

This was Mr Major's big idea, and it represented a distinctive break with the policies of his predecessor. Mrs Thatcher appeared to believe that public services should provide a basic service for people who could not afford to pay their own way.

But yesterday's bullish re-launch of the Charter cannot conceal the difficulties which have been encountered in turning the idea into reality.

Certainly there has been considerable activity since the Charter was launched in July 1991. The Citizen's Charter paper on the Charter has been revised.

One highly visible result has been a flood of charters, covering everyone from benefits claimants to users of the Scottish courts. Another is that more public servants are wearing name badges, a measure which Mr Francis Maude, the Treasury minister in charge of the Citizen's Charter, believes will make a profound difference to the quality of service.

"Being identified makes people behave differently," he says. "The individual can't shelter behind the anonymity of the machine."

There are measures in the legislative pipeline which will strengthen the powers of regulators to set service standards for the privatised utilities. And

### Charters will be revised, ratcheting up the standards year by year

the government has tabled plans for more performance-related pay for people working in the public service.

But the success of the Charter will be measured by its achievements in the core public services which are widely seen to have declined in recent years: the three "Ps" of parents, patients and passengers.

Charters have already been published covering the first two, but they demonstrate the difficulty in satisfying the prime minister's desire to provide clear contracts of service which mean something. Seven of the 10 points in the Patient's Charter, for example, restate

John Willman, Alison Smith and Richard Tomkins on the difficult relaunch of the Citizen's Charter

## Still waiting for the revolution



existing entitlements of limited appeal, such as to be registered with a GP or to be kept informed of treatment.

The only significant new guarantee is that from April 1992 no patient will have to wait longer than two years for an operation once he or she has seen a consultant. However, there is no time limit on the delay before seeing a consultant (this can be six months or more). Worse, recent figures on NHS waiting lists suggest that the two-year guarantee is lengthening the delays for operations where waiting times are less than one year.

Those involved in the Charter point out that this is only the first step in a process of changing the culture of the health service, so that its priorities are set by the customers rather than those working in it. The Charters will be revised regularly, ratcheting up the standards year by year - so that, for example, the maximum waiting time for an operation will soon be reduced from two years to 18 months, with further reductions later. But at some point, providing acceptable levels of service will almost certainly need extra resources, a point that ministers are reluctant to concede.

The delay in producing the third of the three "Ps" - a Passenger's Charter for British Rail customers - reveals the difficulties in meeting Mr Major's aim of financial sanctions when charter pledges are not honoured. Promised for last autumn, the Passenger's Charter has become bogged down in the difficulty of finding money to fund the scheme.

The Treasury is not going to underwrite it: that would rather defeat the point. But if BR has to find the money from its own resources, it must come from lower investment or higher fares - in either case, rebounding on the people it is intended to help.

Instead, therefore, the emphasis will be placed on prevention rather than cure. Thus, on Network SouthEast - the most troublesome part of the railway - the plan is to give each of the 15 principal routes an individual, achievable target for punctuality and

reliability, and to give commuters a discount on the cost of renewing their season tickets if the targets are not met. Each line's performance will be measured as a moving average, so that managers can counteract any downward blip with a big effort to restore performance.

People making individual journeys may be disappointed to find that compensation is no more generous than the semi-secret system operating already, except that it will be more open and less arbitrary.

The only significant difference is likely to be the introduction of a self-financing scheme allowing people to buy entitlement to superior compensation rights by paying a premium in the form of a reservation fee.

Ministers acknowledge that one reason for the difficulty in agreeing an acceptable Passenger's Charter is that the government does not control BR in the same way as it does the health service. The same absence of control has led to similar difficulties in applying the principles of the Charter to

local authorities which are responsible for delivering many public services.

For example, it had been hoped to use the charter mark seal of approval as an incentive for local authorities to improve the quality of their services. The very limited charter mark scheme announced yesterday is unable to fulfil this role, partly because ministers realised that they simply did not have enough information to make it work.

Ministers are also conscious that a consumer satisfaction sanction exists already: what incentive is a government seal of approval compared with the prospect of re-election?

The engine for change in local services is now seen as the new reviews and duties of the Audit Commission, the local government watchdog. It will be able to specify performance indicators and produce league tables to identify good and bad performers.

However, the Commission estimates that it will need probably five indicators, such

as value for money and the amount of service provided, for as many as 40 service areas. A limited range of "bell-wether" statistics could be chosen as key indicators, but that would encourage different interests to pick their favourite statistics from the information available.

The system could become incomprehensible to the people it was intended to benefit. Whatever the sophistication of the indicators, there are still difficulties in comparing the effectiveness of services. How, for example, can fair comparisons be made between a council which provides high-quality nursery education for a few children and one that provides it for almost every child but does so less well?

Other problems in making the Citizen's Charter work have resulted from the inclusion of bright ideas in the white paper which have proved difficult to implement. For example, little progress has been made so far on plans to set up a network of local lay adjudicators to deal informally with complaints over public services failures.

A consultation paper on the idea, promised before the end of 1991, has yet to appear because of two problems:

- the multiplicity of existing compensation schemes for the public service - many of them statutory and not therefore easy to subsume in a uniform lay adjudicator scheme;
- the resistance of the Treasury to funding a scheme - even a simple free telephone number which could provide complaints with information of the channels for complaint.

When the consultation paper does emerge, the scheme will be all "lay" and no "adjudicator", as one insider puts it. The likelihood is that the scheme will amount to little more than a network of local worthies who point disgruntled consumers of public services towards the appropriate channels.

Perhaps this is not surprising, given the experimental nature of much of what the government is doing.

"We are on a voyage of discovery into uncharted waters," says Mr Maude. "No government has tried to do anything like this before, and it is inevitably a process of evolution."

But the achievements of the first six months since the Citizen's Charter white paper was published must be judged against the prospect set out by Mr Major when he first launched the idea. Apart from a lot of paper, it is hard to see much which could not have been achieved without a Charter. It certainly does not yet amount to a revolution in the public services which puts the consumer in the driving seat.

## Joe Rogaly Case for February



The correct time to announce a general election is today. At once, immediately. Before any further ado.

Straight away. Or, as some residents of Calcutta would put it, in the wonderful improvement on English that they have evolved, "now isan".

I say this because we already know more than most of us want to about the merits of the contesting parties. Let's get it over with. It would be surprising if Mr John Major were to do any such thing, but you never can tell. One of his senior ministers remarked recently that he thought the 1992 election would be "our revenge on Labour for February 1974". February? Surely not.

The two largest parties each attracted 37-per-cent-plus-a-fraction in the February 1974 election, but the Conservatives won the larger fraction.

This translated into a national lead of some 225,000 votes. Under Britain's idiosyncratic electoral system this clear Tory victory produced a Labour minority government, based on 301 parliamentary seats against the Conservatives' 257. At that time 318 seats constituted a majority, so the Liberals had to help prop Labour up. In the October re-run the Tories led nearly 1.5m votes and 20 seats, and Labour moved ahead to 319. This put the country under five years of mismanagement by the worst Labour government ever to hold office.

I cannot say which of these events the above mentioned minister imagines will be the subject of revenge - the inversion of the electoral arithmetic; the coincidence of two elections in one year; a switch in Liberal support; or the subsequent confirmation in power of, on his logic, one of the poorest-performing Conservative governments of the century. Any of this is possible. What persists is the February question.

The case against an immediate election is that to go now would deprive the government of one of its strongest potential weapons, namely a budget that would

seek to buy votes with the electorate's own money. The case in favour is that the chancellor would be absolved from the temptation to offer an outrageous bribe, such as an unjustifiable cut in the standard rate of income tax.

Perhaps the Tories can persuade themselves that they can win without doing the indecent thing. They are clearly on a roll. Voters have been frightened by blatant, ruthless, and lying propaganda into believing that Labour will increase taxes for ordinary wage-earners. This has been achieved almost too easily. The Conservative tabloids have cast aside pretensions to honest journalism or democratic principles. They have become propaganda pamphlets for central office.

There is plenty for them to crow about - Mr Major - a trump card - is spending this

**The chancellor would be absolved from the temptation to offer an outrageous bribe**

week high in the headlines. There was, first, Sunday's masterly appearance on the BBC's Desert Island Discs, then yesterday's re-launch of the Citizen's Charter. The prime minister has an opportunity to make news at today's Question Time. That will be followed by Thursday's visit from Mr Boris Yeltsin, and capped by Friday's fight to New York to chair a special session of the United Nations Security Council.

Imagine a half-point cut in interest rates at around the same time, and how could anyone resist the temptation to announce a snap election?

The answer, alas, is "quite easily". Mr Major's reason for not calling an election last spring, on the crest of the wave of Tory popularity that followed the Gulf war, is that it would have been the wrong thing to do and that, anyway, the government still had to make good its undertaking to abolish the poll tax. As to an election last November, he had promised to represent Britain at the Maastricht summit in December. This was

wise: the probability is that the Conservatives would have lost a November election. If the prime minister persists with this year's apparent game plan, which is April 9 (polls permitting), May 7 (if all else fails), and early July (if he's desperate), he will have no excuse if he loses.

The best reason for plunging on for a few more months is that he cannot be sure of winning. The FT poll of polls suggests that it would be touch and go. If you take Mori's poll in this week's Sunday Times the responses work out at a Tory overall majority of about 10 seats. In present circumstances, with most of the economic news bad, it would be a triumph for Mr Major.

The FT's average of all polls tells a different story. In December one version of our computer model produced a hung parliament with the Tories the largest party, another a similar stand-off with Labour just ahead. The same is true of the January results to date. Unweighted, the score is 41 per cent Tory, 40 per cent Labour, 15 per cent Liberal Democrat. You need 326 seats to win; our model says that these percentages would leave the Conservatives five seats short of that. If the same results are weighted according to the size of the polling samples, and then averaged once again, the Tories come out at 40.85 per cent - and the number of Conservative MPs is down to 318, or eight short of the goal.

These mathematical games can be played all day. They become more complicated if you feed in regional differences, although the complexities tend to work out in the Tories' favour. The essence of the matter is that a few weeks of encouraging news do not constitute an election victory.

From the government's point of view, that is the case for holding on. Yet there can be no certainty that two more months of politicking, plus a giveaway budget, will further improve the Conservatives' standing. On the political fundamentals - their management of the economy - they should have fallen off the bottom of the chart by now. If they wait, they might. That is the case for daring to go in February.

## LETTERS

### Tax reductions that would be misdirected

From Lord Vinson.

Sir, A penny off corporation tax in the Budget - as suggested by the Institute of Directors' Director's 530e reduction in taxation" (January 16) - would be money misdirected, besides being of no benefit to the many small businesses that operate as sole traders, whose cash position has been ravaged by the 30 per cent corporation tax rate.

Corporation tax may not be evil - but in the long run, trading nation it is. Budgetary cuts for business, then, should be aimed at stimulating investment in productive plant - to help meet demand when the upturn comes.

Singularly in this country we penalise investment by not allowing adequate cost recovery against tax in the year of expenditure - the current 25 per cent diminishing balance rate is far too low.

So any budgetary concessions should be used in this area to improve the cash flow of investing companies - both small and large.

Vinson, 55 Kingsway, London WC2B 8QT

### An unsuitable savings vehicle foisted on public

From Mr Edward Riggs.

Sir, Let us not mince our words. I refer to your article, "Fid agents are overselling life policies" and leading article, "Life policies oversold". The big fraud (I am not mincing my words) is that they are sold at all.

Endowment policies have been demonstrably the most unsuitable of all savings vehicles ever since life assurance was abolished in March 1984.

Nevertheless the life insurance industry has continued to foist them on the public with the aid of questionable sales techniques, and by diverting an outrageously high proportion of savers' cash to its salesmen's commissions.

From the early days of the Financial Services Act the life insurance lobby has fought and schemed to defend its practices, which can plainly be described as designed to "rip off" the public.

The only surprising feature about the rift that has now developed in the Unit Trust Association is that it did not happen earlier. The link that exists between the concept of savings and the concept of insuring one's life should have

been severed many years ago.

At long last there have been signs recently that those in high places, including Sir David Walker, the chairman of Securities and Investments Board, have come to realise this and are beginning to question the selling of such policies. Even Fimbra has begun to realise that its role in protecting the investor will be better discharged if it checks the selling of these dubious policies rather than its members' petty cash.

It cannot be stressed too heavily that life insurance policies of the savings kind, such as endowments, and most of their closely related cousins such as regular premium personal pension plans, are a most unwise choice for almost anybody, not just the 30-odd per cent who find they have to cancel them within two years.

Edward Riggs, "Northern Finance", 5 Frog Grove Lane, Wood Street, Guildford, Surrey GU3 3EY

**Fax service**  
LETTERS may be faxed on 01-475 3030. They should be clearly typed and clearly headed. Please use fax machines for this facility.

### Diesel not least polluting

From Mr David Parker.

Sir, The balance that John Griffiths strikes ("Technology: diesel cleans up its act" January 21) between diesel and petrol on their "cleanness" is slightly misleading. Diesel is cleaner in some respects than present petrol-driven engines, but much of this advantage disappears from the end of this year, when all new petrol-driven cars will be fitted with 3-way catalysts, reducing exhaust emissions by more than 90 per cent. Diesels emit "particulates" - a fine dust, mostly carbon, which can sometimes be seen as a smoke. This happens even when the engine is well-tuned. Diesels also produce a high level of carbon dioxide. The technology to handle these diesel emissions is progressing but so far is not nearly as well developed as that for petrol exhausts.

Conventional wisdom on diesels is that they emit much less carbon dioxide than petrol engines because they are more fuel-efficient and give better mileage. But diesel contains more carbon per litre than petrol does, and so produces more carbon dioxide when it is burned in a car's engine. This offsets much of the reduction in carbon dioxide arising from the better mileage.

David Parker, director general, UK Petroleum Industry Association, 9 Kingsway, London WC2

From M André.  
Sir, On April 29 1991, there was in the FT an article headed: "Smoking diesels blamed as main source of pollution". On January 22 1992 we learn ("Motor adverts criticised") that the Advertising Standards Authority upheld complaints against Peugeot Talbot for claiming that diesel engines would be environmentally "clean".

Nevertheless, in your Technology pages, we read regularly calls for more diesels; for example on September 5 1991 ("Measures to combat diesel emissions urged") tax cuts to encourage diesel fuel were urged; or on January 21 1992 ("Diesel cleans up its act").

Assuredly diesels are somewhat cleaner when well tuned, but when are they?

M André, 33 avenue du Gal de Gaulle, F-94300 Vincennes

### A perverted logic that cheerfully awaits the financial worst

From Mr Gerrit Jacobsen.

Sir, BOCL, Polly Peck, Maxwell. Now the British are expecting the worst from the single minded Mr Tiny Rowland. The ingredients are already there: dividend cut, stock price collapse, stock exchange inquiry, "foreign" chief executive.

I hope Louisa is different. Only a week ago the FT was quoting some analysts as saying that Louisa should cut its dividend if it was prudent, but with others saying that they did not expect Mr Rowland to do so because he was a "conventional" out to prove he is different from the rest.

Now everyone is up in arms about his dividend cut. What kind of perverted logic is this? This "crisis" is caused by the financial industry, which has fallen into its own psychological trap. What causes a lender to say: "We have got to put on

our thinking caps to work out why he cut the dividend?" It seems that the lender has not done its homework and has no idea why it lent money in the first place.

I would not be surprised if the drop in the share price caused some of Louisa's now alarmed lenders to withdraw some of their credit facilities, thus causing a real crisis. I hope that the FT does not become party to this mind-twisting game by quoting an increasing number of worried people. I feel very much reminded of a London storm causing little actual damage but paralysing the whole city because everyone stops work to stand by the window and cheerfully wait for something awful to happen.

Gerrit Jacobsen, Baur Park 23a, 2000 Hamburg 55, Germany

### Economy needs more effective regional policy

From Mr Gerard Lyons.

Sir, The cutback in the coal industry, following close on the announcement of the closure of the Ravenscraig steel works once again highlights this country's absence of regional and industrial policy.

Yet, if the UK is committed to the ERM and at sterling's current high and overvalued rate, it is essential that the government make effective use of industrial and fiscal policy to improve the supply-side potential of the economy.

This potential will not be realised if strategic industries such as coal and steel are allowed to disappear.

Gerard Lyons, chief economist, DEB International, DEB House, 24 King William Street, London EC4R 9DB

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## Grim backdrop to US budget plans

The deficit problem continues to plague the administration, writes Michael Prowse

THE BUSH administration will tomorrow unveil budget plans for fiscal 1993 against an uncertain economic outlook and deteriorating medium-term trends for the federal deficit.

"The deficit outlook is far bleaker than was expected when Congress and the president reached their budget summit agreement in the fall of 1990," the Congressional Budget Office (CBO) warned last week. This time last year the administration used that agreement - which cut prospective deficits by \$500bn over five years - to justify its projection of a rapid decline of the budget deficit. Mr Richard Darman, the budget director, even forecast a slim surplus of \$14bn by 1996.

The CBO, set up to provide non-partisan advice for Congress, now believes such projections were too optimistic. In its budget assessment last week it forecast only a gradual decline in the budget deficit, from \$532bn this year to \$178bn in 1996. The deficit then begins to rise again, reaching \$407bn by 2002.

Distortions caused by the bail-out of savings and loans and the Gulf war are excluded,

the CBO figures suggest the deficit will not fall below \$200bn, or 3 per cent of gross domestic product, at any point during the next decade. Indeed, by 2002 the deficit will have risen to 4.1 per cent of GDP, the same ratio as expected for fiscal 1993.

A budget deficit represents negative saving by the federal government. The CBO's projection of another decade of large deficits indicates that, on unchanged policies, the US will be unable to raise its low national savings rate. This in turn implies a low rate of capital formation and sluggish economic growth.

What accounts for the deterioration in outlook for the deficit? In the short-term, the culprit is the recession, more stubborn than expected. Last year the administration forecast a recovery beginning last summer. This failed to materialise and many economists expect the recession that began in July 1990 to be the longest since the Second World War.

Most forecasters, including the CBO, now project a weak recovery in the second half of this year. But few economists are taking a recovery for granted and not many expect more than backsliding growth of 2.3 per cent at an annual rate.

In the longer-term, the CBO blames the poor outlook for the deficit on projected spending trends. Provided permanent tax cuts are avoided in this week's budget, the organisation projects federal revenue to rise slightly as a share of GDP, from 18.9 per cent this year to 19.2 per cent in 1995 and then to hold steady.

However, its forecast for spending shows outlays at or above 22 per cent of GDP for most of the next decade. Discretionary spending - on defence and domestic programmes - is projected to decline steadily over the next decade.

But these gains are offset by a sharp increase in mandatory spending on entitlement programmes, mainly health care for the elderly and the poor, and pensions.

Mandatory spending, estimated at \$708bn this year, is already more than twice the size of the defence budget. The growth in spending on entitlements is likely to remain even a large "peace dividend". Debt service will remain one of

the government's largest programmes, absorbing 3.5 per cent or more of GDP.

The CBO concludes that another round of deficit-cutting, rivaling the 1990 summit, is now "urgent if the government's drain on national savings is to be curbed".

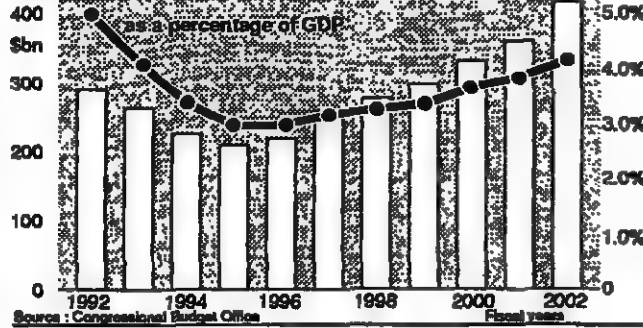
President George Bush has promised to eschew "quick fixes" in favour of stimulating long-run growth. But most of the measures expected this week - such as tax exemptions for first-time home buyers and faster depreciation for business investment - seem aimed mainly at accelerating growth in the short-term.

Mr Darman's talent for creative accounting will result in the most flattering possible presentation of long-run budgetary trends. But analysts striving to assess the US economy's long-term potential will be looking for concrete evidence of either reduced growth of entitlement spending or higher revenues.

In the absence of either, the outlook for saving and capital formation is likely to remain poor, despite the large scope for cuts in the defence budget.

### US budget deficit outlook

Excluding deposit insurance and Desert Storm contributions



## German union predicts large majority in favour of strike action

By Christopher Parkes in Bonn

GLOOM gathered over the German steel industry yesterday as unions said that workers were voting heavily in favour of a strike, in spite of further warnings of job losses.

The IG Metall union said yesterday that the ballot, which began on Sunday and runs until Friday, had so far produced a 90 per cent "yes" vote for a strike. Its figures were based on unofficial estimates by local union officials.

The voters' motives were mixed. While some claimed the employers would have to pay for their refusal to offer more than a 5.5 per cent pay rise, others said they were pre-

pared for action because they were unwilling to "let the union down".

Voting coincided with a report from the RWI economic research institute in Essen which forecast stagnant steel output this year and the loss of 6,000 jobs from the industry's 135,000 workforce in western Germany.

The DAG white collar union, meanwhile, voted to hold a strike ballot this week among banking workers who have claimed a 10.5 per cent pay increase and been offered 4.5 per cent. IG Bau, the in-strong construction industry union, is expected to announce a 9.5 per

cent claim tomorrow.

Trade union solidarity is emerging as the main issue in the 1992 pay round. With claims averaging 9.5 per cent and government, employers and the Bundesbank united in resisting any advances beyond 6 per cent, tensions are increasingly rapidly.

Implicit support for resistance to union demands from the meeting of the Group of Seven leading industrial nations in New York at the weekend brought protests yesterday from the DGB trade union federation. Mr Michael Genscher, a DGB board member, said internal wage

negotiations were a matter for unions and employers and had no place in international discussions.

Results of the steel ballot are expected on Saturday and provided a 75 per cent majority votes in favour of action, the IG Metall board is expected to announce the first stoppages.

An immediate all-out strike is unlikely, and tactical stoppages are expected as the union attempts to extract an improved offer from employers. Meanwhile the rise in west German inflation appeared to slow down in January according to provisional figures from several states.

## Nissan chief launches fierce attack on Iacocca

By Steven Butler in Tokyo

MR Yutaka Kume, president of Nissan Motor, yesterday issued a stinging attack on Mr Lee Iacocca, chairman of Chrysler Motor and a leading US critic of Japanese business practices.

"In international business circles, Mr Iacocca's remarks and behaviour are outrageous and insulting to us," he said.

Mr Kume's blunt remarks, made during an interview with a group of journalists including a Financial Times representative, are very unusual for a Japanese business leader.

They reflect growing resentment and anger in Japan over what are seen as unjustified and politically motivated attacks on the country.

The Nissan chief's tough attitude is unlikely to go down well in Washington, where a range of protectionist legislation has been proposed in the Congress aimed at cutting the US trade deficit with Japan.

US-Japanese relations have been buffeted by a series of highly publicised disputes on issues ranging from automotive trade to remarks by a senior Japanese politician suggesting that US workers are lazy and illiterate.

Mr Iacocca accused Japanese business and government leaders of duplicity following the recent visit to Japan by US president George Bush, during which the Japanese pledged to try to increase sharply the imports of US-made cars and car parts. The pledges were part of an effort by the two countries to reduce Japan's \$60bn trade surplus with the US. "I just cannot tolerate his [Mr Iacocca's] remarks that the Japanese government is a liar," Mr Kume said.

Mr Iacocca accompanied Mr Bush on the visit, and with the chairman of Ford and General Motors met leaders of Japan's automotive industry. Mr Kume said: "At the meeting we offered the best we could do. But in response the US side's endeavours are not so evident. The reaction of the US side is incomprehensible to me."

He said that while Nissan was able to live up to its pledge to purchase more US components, it could not guarantee the sale of US cars, even though Nissan is making arrangements to market Ford vehicles through its own dealer network. "We are ready to sell US vehicles in Japan, but there are some conditions attached."

"It is up to them to make the effort," he said.

Reuter adds from Brussels: The US-Japanese car trade agreement is "more cosmetic than real". Mr Eberhard von Kuenheim, president of the Association of European Automobile Constructors, the EC lobby group, said yesterday. He said his group did not intend to challenge the accord under the General Agreement on Tariffs and Trade.

Auto war clash, Page 3

## Hong Kong alerted BCCI managers

By Richard Donkin in London

THE Hong Kong banking commissioner has admitted warning managers of the local subsidiary of Bank of Credit and Commerce International to reduce their exposure to the parent company before the worldwide closure of BCCI on July 6.

The warnings followed earlier alerts arising from the late publication of BCCI's 1990 accounts. BCCI Hong Kong (BCHHK) reduced its lending to the rest of the group from \$757m (\$418.2m) at the end of 1989 to \$4m at June 30, 1991.

Mr David Carse, Hong Kong banking commissioner, also sent examiners into BCHHK branches the day before the closure was announced, when he already knew it was planned.

The disclosure, revealed in a report last year by Mr Carse to Sir David Wilson, governor of Hong Kong, has provoked an

angry response from bank supervisors in Gibraltar, where BCCI deposits lost \$66m in the closure. Mr Brian Davidson, Gibraltar's banking supervisor, said yesterday he had made representations about the warnings to the UK's Bingham Inquiry which is examining the role of the bank regulators in the BCCI affair.

The 30 local UK authorities which lost \$33m in the collapse are also complaining because they say the Bank of England gave them no inkling of problems in BCCI.

Creditors of BCCI are now demanding to know how widespread and comprehensive the warnings may have been.

The Bank of England said yesterday it had not seen the Hong Kong report and could not comment.

Mr Carse's report outlines the extent of Hong Kong's foreknowledge gained as a member

of an exclusive group of bank supervisors who formed a college of regulators for BCCI in 1988. The initial members were the UK, Spain, Switzerland and Luxembourg. Hong Kong became a member in July 1989.

He said concerns because of the delay in publication of the 1990 BCCI accounts led his office to urge BCCI Hong Kong to increase its liquidity and to reduce lending to other parts of the group. In calendar 1990, BCCI's lending to other parts of BCCI was reduced by nearly \$600m to \$175m.

Details of the July 2 meeting at the Bank of England, when it was decided to close BCCI, were passed to Mr Carse the same night. He said he put various contingency measures in place, including dispatching a team of examiners to the bank the day before the closure.

He said in the report: "I held discussions with the manage-

ment of BCHHK and its auditors to obtain their current assessment of the bank's financial position. Without revealing the precise nature of my concern, I explained to the management of the bank that I understood there were some problems in the rest of the group that were delaying finalisation of the 1990 accounts and that BCHHK should ensure that it maintained high liquidity."

BCCI Hong Kong was sufficiently solvent after the shutdown to remain open on the Saturday after the closure and its doors were not closed until the following Monday.

The Gibraltar supervisor has complained that the use of the college to exchange information without informing regulators in other jurisdictions was unfair. "We did not even know there was a college of regulators," Mr Davidson said.

## PLO threat to talks

Continued from Page 1

denied Arab participation. The US wants to use the Moscow meeting - involving Israel for the first time in discussing Middle East questions with Egypt, Jordan, and Turkey as well as Arabs from the Gulf and Africa - to lessen the Jewish state's regional isolation.

Israel and delegations representing Syria, Lebanon and a Jordanian Palestinian team have conducted three rounds of talks in Madrid and Washington marked by procedural argument and the restatement of well-known positions.

Mr James Baker, the US secretary of state and originator of this latest Middle East peace effort, will launch the Moscow meeting. He is anxious for the meeting to establish a framework for tackling multilateral Middle East issues before the general election in Israel this summer brings the peace process at least to a temporary halt.

## Newhaven-Dieppe Channel ferry service faces closure after losses

By Richard Tomkine, Transport Correspondent, in London

A FURTHER cross-Channel ferry service faces the threat of closure following a decision by the sole operator of the Newhaven-Dieppe service to pull out.

Société Nouvelle d'Armement Transmanche, a subsidiary of French railways, said it would shortly stop operating the 144-year-old route because of unsustainable losses.

Its move comes less than a month after Sealink Stena Line of the UK closed the 145-year-old Folkestone-Boulogne route to concentrate its resources on Dover-Calais services.

If no company offers to replace SNAT on the Newhaven-Dieppe route, the combined effect of the closures will be to leave a gap in cross-Channel ferry services stretching from Dover-Calais to Portsmouth-Le Havre.

SNAT and Sealink Stena Line sail their vessels under the Sealink banner, a pooling

arrangement under which they market each other's cross-Channel services.

Newhaven-Dieppe is operated by two French-crewed SNAT vessels, the now-closed Folkestone-Boulogne service was operated by two British-crewed Stena vessels, and Dover-Calais - by far the busiest route - is operated by two vessels from each.

Mr Frederic Avierinos, an executive director of SNAT, said the company's losses on the Newhaven-Dieppe route had been caused by restrictive working practices and a long series of industrial disputes. "We have reached the stage where the deficits are putting the whole company at risk," he said.

Hardest hit by the ferry services closure would be the port of Dieppe, which benefits not only from the employment created by the French-based vessels but also from the influx of

tourists arriving from Britain.

Mr Avierinos said SNAT would keep the route open until it had been established whether or not another operator was prepared to take it over.

Yesterday three possible candidates - P&O European Ferries, Sully Line and Brittany Ferries - ruled themselves out. Sealink Stena Line, however, said it might be interested if the costs of the service could be reduced.

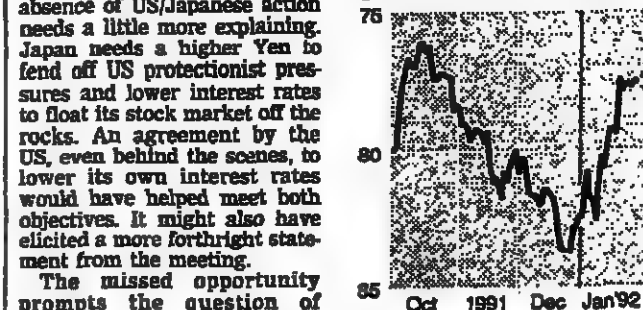
One uncertainty facing would-be buyers is the planned opening of the Channel tunnel next year, which will create a severe competitive threat to the nearest ferry crossings.

P&O's Dover-Boulogne service is also seen as a candidate for early closure, and some ferry industry leaders predict that Dover-Calais will be the only short-sea crossing to survive the tunnel's opening.

## Agreeing to differ on currencies

FT-SE Index: 2,539.9 (+28.5)

Yen against the D-Mark (Yen per DM)



the deficit throughout the most prolonged recession since the war is dispiriting evidence of the UK economy's structural failings. It will also limit the recovery, whenever it arrives. The problem need not be one of financing the deficit. It is rather that memories of the Lawson boom are still too fresh for any government to preside over a collapse in the balance of payments with equanimity.

If a rising deficit had to be suppressed, the UK could yet again find itself out of step with Germany. Suppose that sterling were in narrow bands and that German interest rates had been cut to stimulate the German economy. Sterling could then be near enough to its ERM ceiling to make raising rates as difficult as cutting them is now. If that seems far-fetched, it is worth recalling that as recently as 1987, Mr Lawson's attempts to cap sterling at DM2 involved slashing base rates even as the current account was plunging. If base rates were ruled out, the obvious alternative would be to raise taxes. In that case, the market might ask itself what advantage there is in the Tories winning the election.

It is a measure of the depths being plumbed by the UK economy that rising imports are now greeted by some as evidence of a consumer revival rather than a threat to the balance of payments. In last year's fourth quarter, import volume, excluding oil and erratics, was up only one per cent on the year before. But there seems little doubt that the upward trend is now re-established.

It thus seems likely that the current account deficit, which narrowed last year from £15.2bn to £5.8bn, will this year widen again. The persistence of

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### WORLDWIDE WEATHER

	C	F		C	F		C	F
Algeria	14	57	Berlin	5	41	Chicago	22	72
Algiers	11	52	Bombay	28	82	Copenhagen	5	41
Amsterdam	5	41	Bombay	28	82	Dublin	10	50
Athens	10	50	Bombay	28	82	Frankfurt	10	50
Bahrein	14	57	Bombay	28	82	Geneva	10	50
Bangkok	33	91	Bombay	28	82	Hong Kong	18	64
Barcelona	10	50	Bombay	28	82	London	10	50
Bern	5	41	Bombay	28	82	Madrid	10	50
Bombay	28	82	Bombay	28	82	Moscow	-5	23
Buenos Aires	18	64	Bombay	28	82	New York	10	50
Calcutta	28	82	Bombay	28	82	Osaka	10	50
Cardiff	10	50	Bombay	28	82	Shanghai	10	50
Delhi	28	82	Bombay	28	82	Taipei	10	50
Dhaka	28	82	Bombay	28	82	Tokyo	10	50
Dublin	10	50	Bombay	28	82	Yokohama	1	34
Frankfurt	10	50	Bombay	28	82			
Geneva	10	50	Bombay	28	82			
Hong Kong	18	64	Bombay	28	82			
London	10	50	Bombay	28	82			
Lyons	10	50	Bombay	28	82			
Manila	10	50	Bombay	28	82			
Mumbai	28	82	Bombay	28	82			



December 1991

**Z-Länderbank Bank Austria AG**

has sold

**Österreichisches Credit-Institut AG**

to

**Girozentrale und Bank der österreichischen Sparkassen AG**

*The undersigned initiated this transaction, acted as financial advisor to Z-Länderbank Bank Austria AG and assisted in the negotiations.*

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**Salomon Brothers International Limited**



## INTERNATIONAL COMPANIES AND FINANCE

## Dutch property units plan to explore alliance options

By Ronald van de Krol in Amsterdam

WERELDHAVE and VIB, the Netherlands' second and third largest property investment funds, plan to look into the possibility of entering into a "far-reaching form of co-operation".

The companies, which are listed on the Amsterdam bourse, are to consider all options including that of a merger. Their decision is expected in several months' time.

The announcement yesterday comes at a time of extensive alliance building in the Dutch property sector.

In December, ABP, the Dutch civil servants' pension fund, said it planned to buy a 12.5 per cent stake in Rodamco, the country's largest property investment fund, in order

to expand its international property holdings. Rodamco, which has property holdings of around F18bn (\$4.4bn) and which is seeking new funds for further growth, is also in talks with PGM, another large Dutch pension fund, about possible co-operation.

Wereldhave and VIB have property and other investments worth about F15bn and are very active on overseas markets, but Wereldhave's portfolio is more international.

Nearly one-third of Wereldhave's investments is in the UK, a legacy of the company's successful hostile takeover of Peachey Properties in 1988.

The two companies' shares

rose slightly on the Amsterdam Stock Exchange yesterday following the news of talks on a possible partnership.

Wereldhave gained F1.60 to F120.70 while VIB rose F10.10 to F159.80.

VIB switched from an open-ended to a closed-ended structure in autumn 1990, in line with Rodamco's decision to stop its daily practice of buying in and selling its own shares to keep its share price equivalent to net asset value.

This move forced most other open-ended Dutch property funds to follow suit, and they now all trade at a discount to their net asset value. Wereldhave, by contrast, has always been closed-ended.

## Alcatel sells postal units in record buy-out

By William Dawkins in Paris

ALCATEL, the French telecommunications equipment group, has sold its postal franchising and folding machine businesses to a group of financial investors and company staff for an estimated FF21bn (\$3.2bn).

This is France's largest management buy-out since the FF7bn acquisition of Darty, the electrical retailer, four years ago. Alcatel's mailing machine businesses, known as Salmat in France and Hadeve in the Netherlands, take second place in the world market after Pitney Bowes of the US.

The division recorded FF22bn sales last year and employs 3,600 people. About half its sales are made abroad, mainly in the US, Britain and the Netherlands.

The deal allows Alcatel to pull out of a non-strategic activity without selling to a competitor, said Mr Jean-Marie Messier, a managing director at Lazard Freres, the bank which organised the buy-out. The management holds 2 per cent of the equity and will have stock options - still under negotiation - which could allow them to go up to more than 5 per cent.

The remainder is held by the financial backers, with 35 per cent owned by a Lazard investment fund, plus 18 per cent with Baring Capital Investors.

## Outokumpu in FM750m deficit

OUTOKUMPU, the Finnish group, said yesterday its 1991 loss before extraordinary items was about FM750m (\$170m), compared with FM124m in 1990. Reuters reports from Helsinki.

The company said it expected the group's result to improve "notably" in 1992.

The end of 1991 was worse than expected. The last four months' result was weakened by FM250m due to a poor market situation. Foreign exchange losses caused by the mark's devaluation and inventory losses on declining metal prices.

## National Westminster Bank to restructure management

By David Barchard in London

NATIONAL Westminster, the second largest UK banking group, yesterday announced a shake-up of its corporate and financial markets operations and the appointment of two deputy group chief executives to serve under Mr Tom Frost.

The two new deputy group chief executives are Mr Bert Morris, 57, and Mr Derek Wanless, 44. Mr Morris currently heads NatWest Support Services Division and will succeed Mr Roger Flemington, who is due to retire as deputy group chief executive in May, while retaining his present executive responsibilities.

The promotion of Mr Wanless, who joined the NatWest board less than two years ago when he was made head of the bank's UK financial services division, is likely to arouse the most interest. Despite his age, he must now be a leading contender to succeed Mr Frost as group chief executive when he retires in August next year.

Mr Wanless, whose career so far has been in NatWest's personal customer and retail banking business, will head a new grouping of the bank's corporate and investment banking and trading market activities, to be called NatWest Markets.

It will have its own board, chaired by Sir Michael Angus, NatWest deputy chairman, with Sir Geoffrey Little, chairman of County NatWest, as his deputy.

Mr Wanless said yesterday that the changes were only a managerial restructuring and would not affect County NatWest in any other way.

"All three of the units have tackled their problems over the last year or two and developed up their business well and increased their complementary skills well", he said.

The latest appointments come 10 days after NatWest brought in Mr Richard Goetz, a 49-year-old American, to be its chief financial officer in succession to Mr John Burns who left the bank to become finance director at TSB.

Observer, Page 14

## ABB buys 10% stake in Elektrim

By Christopher Bobinski in Warsaw

ABB, the Swedish-Swiss electrical engineering group, has bought a 10 per cent share in Elektrim, a recently privatised Polish foreign trade company specialising in power generation.

Elektrim, whose principal markets are Czechoslovakia, Germany, Turkey and Austria, reported a profit of Z138.1bn (\$13.3m) on turnover of Z3.495bn in the first half of last year.

The privatisation valued Elektrim at Z1 210bn, with the government retaining 18 per cent of the company's 3m shares, of which 60 per cent were sold to individual investors and foreign companies.

ABB made its purchases through two of its subsidiaries in Poland, with ABB Zamech and ABB Dolmel buying 5 per cent each at a total cost of Z121bn. ABB, which exported around \$65m worth of goods to Poland last year, now has five joint ventures in the country.

Further plans for more ambitious investments by ABB in Poland have been held up by Polish fears that the Swedish-Swiss company would soon come to play a dominant role in the country's power generating equipment and related sectors.

ABB has also recently set up two small-scale enterprises. One is between Poland's ZWUS with ABB's railway signal producing subsidiary in Stockholm and the other a joint venture between Lamina, a Polish factory producing lamps, and Infocom, an ABB-owned company in Switzerland.

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## BSI climbs slightly to SFr58m over year

By Ian Rodger in Zurich

BANCA della Svizzera Italiana (BSI), Switzerland's sixth largest commercial bank, has reported net income of SFr58m (\$11m) in 1991, up slightly from the SFr57.7m earned in the previous year.

Gross profit at the bank, in which Swiss Bank Corporation has a controlling interest, was SFr150m, down 5 per cent. However, the previous year's figure included SFr50m in extraordinary gains on the sale of participations in banks in Monaco and Luxembourg.

Depreciation and provisions were SFr32m, down from SFr100.6m in 1990.

The bank said the satisfactory operating results were attributable to a better interest margin and higher income from commissions, foreign exchange transactions and securities. Net of interest and brokerage paid, total income was SFr433m, 13 per cent above the level of the previous year, excluding the extraordinary gains.

At December 31, 1991, total assets were SFr9.2bn, up 8 per cent from a year earlier. Loans grew 4 per cent to SFr5.8bn and deposits were up 8 per cent to SFr6.4bn. Disclosed shareholders' equity, after the proposed unchanged 16 per cent dividend and allocations to reserves, would be SFr762m.

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## Total profit up 41% to FFr5.8bn

By William Dawkins in Paris

TOTAL, the French state-controlled oil group, yesterday estimated that net earnings rose by 41 per cent last year to FFr5.8bn (\$1.07bn).

The increase, from FFr4.1bn in 1990, represents a slowdown on the growth published in the previous year. However, since then Total has changed its accounting methods to reduce the wild swings in its results that used to come from oil price changes. Accordingly, it has switched from accounting for stocks on a first in, first out basis to accounting for

oil stocks at replacement cost. Last year's growth reflects an upturn in activity and productivity gains across the group, said Total. Margins were lifted by the Gulf war in the first quarter, but shrank again with the subsequent fall in oil prices and in the dollar's value.

Total's oil and gas reserves outside the Middle East increased by more than 15 per cent, while sales of crude oil rose by 13 per cent, faster than the market.

Refining and marketing sales rose by 8 per cent to nearly 1.3m barrels per day, helped by strong demand in Europe, where Total's refineries ran at 97 per cent of capacity last year. Margins in the refining business consolidated the previous year's recovery, after a strong first quarter, said the group.

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## Statoil upgrades European capacity

By Karen Fosell in Oslo

STATOIL, the Norwegian state oil company, is planning to invest an estimated Nkr4bn (\$641m) to upgrade and expand European refinery capacity, and is also seeking new capacity outside Europe.

Statoil produces about 1m barrels of crude oil a day, but has just 200,000 barrels a day refining capacity.

The company is to spend about Nkr2bn to boost annual refining capacity in Denmark to 4.8m tonnes from 3.5m tonnes by building a plant -

adjacent to its existing refinery at Kalundborg - to refine condensate, a liquid hydrocarbon. Construction of the plant, which will be supplied with condensate from Statoil's North Sea Sleipner field, is to be completed in the fourth quarter of 1994.

Statoil, one of the world's leading oil products exporters outside Opec, spent Nkr12bn to expand and upgrade its Mongstad refinery on the west coast of Norway which came on stream in 1989.

Statoil said the new investments, in the range of Nkr1.8bn, were being planned at Mongstad including a desulphurisation plant and a small methylethylterbutyl ether (MTBE) plant.

MTBE is used as an additive to boost or improve the octane level of unleaded petrol, which burns cleaner than leaded petrol. The plants will enable higher-quality products to be produced in order to meet stricter environmental requirements in the US and Europe.

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This announcement appears as a matter of record only.

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New Issue January 1992



**Nafin Securities Limited**  
(Incorporated in the Cayman Islands with Limited Liability)

**U.S. \$100,000,000**

**6 per cent. Bonds due 1996**

with Warrants attached thereto related to the Equity Index of the Bolsa Mexicana de Valores, S.A. de C.V.

Guaranteed by

**Nacional Financiera, S.N.C.**  
(A National Credit Institution and Development Bank of the United Mexican States)

Bankers Trust International PLC  
Merrill Lynch International Limited  
Bear, Stearns International Limited  
Banco Español de Crédito (Banesto)  
InverWorld Ltd.

Chase Investment Bank Limited  
J.P. Morgan Securities Ltd.

These securities have not been and will not be registered under the Mexican Securities Market Law (Ley del Mercado de Valores) and may not be offered or sold within the United Mexican States.

**Notice of Capital Increase**

**U.S. \$24,500,000**

**Intershop Overseas Finance (Curaçao) N.V.**

**6% Guaranteed Convertible Bonds 1993**

unconditionally guaranteed by and convertible into Bearer Shares of Stf. 200 nominal value each of

**Intershop Holding AG**

Notice is given to holders of the above mentioned convertible bonds (the "Bonds") that an Extraordinary General Meeting of Shareholders of Intershop Holding AG, Zurich ("Intershop") convened for 20th February, 1992, the Board of Directors of Intershop will propose a capital increase of Stf. 61 million, from Stf. 260 million to Stf. 321 million. Holders of bearer shares and holders of registered shares of Intershop will each receive respectively a preferential right to subscribe new bearer and registered shares in the proportion 1 new bearer or registered share for every 10 old bearer or registered shares held (the "Subscription Right").

Provided that the capital increase is approved, the conversion price for the Bonds will be adjusted in accordance with the terms of the Bonds with effect from 10th March, 1992,



# The difference between luck and leadership is consistency.

Anyone can have a good month or a great quarter, but it takes a leader to top the mark consistently. ■ That's especially true when it

## Stock and Bond Issuance Exploded in 1991 As Merrill Led Way and

This Year Is Likely

The Record

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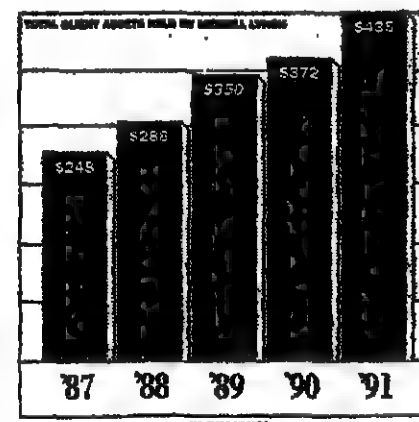
### Top Global Underwriters Of Debt and Equity of 1991

	1991	1990	1989
UNDERWRITING (\$ BILLIONS)	MARKET SHARE (%)	MARKET SHARE (%)	MARKET SHARE (%)
Merrill Lynch & Co.	\$111.5	\$110.5	\$110.5
Goldman Sachs	\$4.5	\$3.5	\$3.5
First Boston	\$5.5	\$3.5	\$3.5
Lehman Brothers	\$1.1	\$1.1	\$1.1

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comes to raising the capital that fuels free enterprise. For the fourth straight year, Merrill Lynch maintained its lead in U.S. debt and equity underwriting. ■ Worldwide we increased our first-place share, serving as lead underwriter for 13% of new-issue volume, or \$111 billion.

■ That consistency and leadership may also help explain why so many people entrust their money to us. Assets held in private client accounts worldwide have reached a record high of nearly \$435 billion, far more than our nearest competitor. ■ Impressive as these figures are, they're more important for the commitment to our clients that they represent. ■ As our business grows, so does that commitment.



**Merrill Lynch**  
A tradition of trust.



## INTERNATIONAL COMPANIES AND FINANCE

## Cummins in diesel deal with Scania

CUMMINS ENGINE, the world's largest independent diesel engine producer, and the Scania Division of Sweden's Saab-Scania have reached agreement on the development of a new fuel system for diesel engines, Reuters reports.

The system will be based on Cummins' high-pressure injection fuel system technology.

The companies agreed to share development and manufacturing of the new system, and intend to use the new fuel system in certain engines in the latter part of the 1990s.

Scania is the world's third largest manufacturer of heavy trucks.

## Mexico sells Serfin to Obsa

By Damian Fraser in Mexico City

THE MEXICAN government has sold Banca Serfin, the country's third largest bank, to Grupo Financiero Operadora de Bolsa (Obsa) for \$918m.

Obsa, Mexico's largest retail brokerage measured by branches, paid 8,065 pesos (\$2.62) per share, valuing the bank at 2.69 times book value. The next and only other bid was for \$870m, or 2.55 times book value.

The sale of Serfin puts the proceeds from the 10 bank privatisations so far at more than \$8.1bn, well above government and independent forecasts. The Finance Ministry expects to have sold the eight banks still

in government hands by the middle of this year.

All the large banks - including Banamex, Bancomer, and now Serfin - have been sold to investors from brokerages. So far, all have formed integrated financial groups, and Obsa, which narrowly lost out when bidding for Bancomer last October, is expected to do the same.

Obsa was once Mexico's high-flying brokerage, with a market capitalisation of \$2bn at the height of 1987's stock market boom. But in the October 1987 crash its stock price collapsed, and at the time its president, Mr Eduardo Legor-

reta, was imprisoned in February 1988 for trading abuses, its share price was just 2 per cent of the pre-crash peak.

Since then, its reputation and market value have recovered, and it is expected to form with Serfin one of Mexico's stronger financial groups. The investors are mainly from the industrial city of Monterrey, and are controlling shareholders in Vitro, Mexico's largest industrial conglomerate.

Serfin is Mexico's oldest bank, and has assets of \$22.1bn, 16 per cent of the total held by Mexican banks, 598 branches, and last year profits of \$122m.

## Citicorp unveils new guidelines on lending

By Alan Friedman in New York

CITICORP, the largest US bank which is struggling to cut costs and contain loan losses, has introduced a new set of US corporate lending guidelines that aims to improve loan pricing and reduce concentrations in specified sectors.

The new lending guidelines, contained in a 50-page spiral-bound set of photocopied text and graphs shown inside the bank as the "blue book", comes in the wake of sharp criticism on Wall Street of the bank's credit policies.

Mr Onno Ruding, the former Dutch finance minister who on March 1 takes over as a new vice-chairman of the bank, will oversee implementation of the new lending policies, which are to be phased in over the next 18 months.

Mr Ruding will have responsibility for Citicorp's corporate banking business, which until recently was known as the Japan, Europe and North America (Jena) division.

Last year, the Jena division suffered losses of more than \$1bn - nearly four times higher than a year earlier.

At the end of 1991, Jena had \$79bn of total assets, of which \$7.7bn were non-performing loans. The biggest problem area was in US commercial real estate, where \$4.8bn of the \$13bn loan book was classified as non-performing.

Mr John Reed, the Citicorp chairman, has taken personal charge of the US commercial real estate loan portfolio, which is excluded from the new guidelines. The new lending system is intended to cover some \$65bn of US corporate loans.

The new Citicorp guidelines - described inside the bank as a new portfolio management system - may lead some corporate clients to leave the bank.

The guidelines cover 33 industrial sectors and geographic areas in the US and include a new risk measurement system that is based on a scale of risk from one to 10.

The heart of the new credit policy is a loan-pricing matrix that is intended for review on a monthly basis. It requires loan officers to ensure that loans are priced to exceed one of two standards - an "analytical hurdle rate" and a market rate.

The first is based on the cost of funds, historical volatility of the sector and client and the return to shareholders of the loan.

The second standard is a comparison of the Citicorp loan and the market rate charged by Citicorp's main competitors.

## Bankers Trust advances to \$137m in final quarter

By Alan Friedman

BANKERS TRUST, the New York banking group, continued to out-perform most of its competitors in the north-east in the fourth quarter of 1991, with an 11 per cent rise in net profits to \$137m.

Mr Charles Sanford, chairman, said earnings reached a record in 1991 despite the US recession. He stressed that total bank revenues were 4.5 per cent higher year-on-year, staff numbers were reduced by 9 per cent and non-interest expenses were up by only 3.6 per cent.

The bank, which recently announced the departure of Mr Ralph MacDonald, one of the co-heads of its global corporate finance division, said its return

on equity in the fourth quarter was 18 per cent.

Net earnings of \$687m for the whole of 1991 were only \$2m higher than in 1990, while the bank's return on equity last year was 23 per cent.

Although net interest revenues after bad-debt provisions were \$100m lower in 1991 at \$498m, Bankers Trust made up for this with non-interest revenues \$195m higher at \$3.5bn. Foreign exchange trading revenues fell from \$425m to \$272m in 1991, but this was offset by a \$356m rise in the bank's trading account, to \$857m.

Bad-debt provisions were up only slightly in the fourth quarter, from \$73m to \$75m. For the whole of 1991 bad-debt

provisions rose to \$138m, from \$195m in 1990. On Wall Street, the Bankers Trust share price was marked 4 higher, to \$44.

Mr Robert Diamond, a senior executive in London for Morgan Stanley, has joined rival US investment bank Citicorp as chief executive of its Far Eastern activities, writes Martin Oskam in New York.

Mr Allen Wheat, 45, who has headed the Pacific operations for the past two years, as well as running the firm's derivatives products business, Credit Suisse Financial Products, will now concentrate on the latter and take responsibility for the bank's worldwide foreign exchange business.

## A master of good timing

Robert Gibbens on Bombardier's aerospace forays



Laurent Beaudoin: more confident with each deal

CANADA'S Bombardier transport equipment group has assumed a leading role in the world regional airliner and business jet markets through a five-year marathon of astutely-timed takeovers.

The final step is the recent acquisition of de Havilland Canada (DHC), the Toronto turboprop commuter aircraft builder, from Boeing of the US. Bombardier took over the company after Aerospatiale-Alenia, the French-Italian makers of the successful ATR commuter plane, had their bid rejected on competition grounds by the European Commission.

Bombardier will have to compete against the giants of aerospace as they jostle for position in the growing regional airliner markets. Its strategy, however, is to stay firmly in the 30-to-70 passenger niche. DHC has nearly 80 per cent of the turboprop sector.

Bombardier began its foray into aerospace in 1986 when it bought Montreal's Canadair, caught by a downdraft in the business jet market, from the Canadian government.

It soon took over Short Brothers in Belfast from the British government. This was followed by Learjet in the US, and now DHC.

Mr Laurent Beaudoin and Mr Raymond Royer, chairman and president of Bombardier, were initially reluctant to move their mass transit equipment and snowmobile company into aerospace. But they became more confident with each takeover: they could see how aerospace had the potential to double their business quickly and at low risk.

They have driven hard bargains with governments, suppliers and trade unions, and have insisted on guarantees such as those covering losses on past contracts, research and export finance support, job

flexibility and competitive pay contracts.

In return, Bombardier has offered, among other things, heavy investment in modern equipment and it has developed a full range of aircraft for world markets.

The company goes to great lengths to win workforce support, providing full training from shop floor to executive level, and where possible it keeps existing management.

This strategy is being applied at DHC, where Bombardier has gained 51 per cent ownership and full operating control for \$361m (US\$43.9m) with the Ontario government as a 49 per cent equity partner. The deal is backed by a package of nearly \$350m in federal and provincial support.

Bombardier has to restructure a company with more than 3,000 employees, including 500 engineers and technicians, at a plant where Ceiba has been spent on modernisation over the past five years. It has also to fill out the Dash-8 turboprop family to a full 30-70 passenger range - these aircraft are designed for trips of up to 80

minutes. DHC has made about 350 so far.

The Canadair 50-passenger Regional Jet, using fan-jet engines, is intended for trips of more than 90 minutes. Beaudoin believes the two product lines are complementary and can be sold to the same feeder airlines operating within modern hub systems.

Comair, a Delta feeder line in the US and a big user of turboprops, recently gave Canadair a \$200m order for Regional Jets.

DHC will add about \$445m to Bombardier's sales in the year ending January 31 1992. It will bring Bombardier's annual aerospace revenues, including defence products, to around \$3.5bn, out of a total of about \$4.5bn, including mass transit equipment and snowmobiles.

"They're getting a very good plant at minimum risk and their timing is right," said Mr Richard Stoneman, engineer and analyst with Deacon Barclays de Zoete Wedd. "They're building critical mass in a single market sector. The aerospace cycle can be tricky, but they've shown they can manage."

Bombardier's aerospace order book now stands at more than \$2.5bn and its mass transit equipment backlog is about \$2.5bn. The company, including DHC, will have a payroll of nearly 30,000 with plants in seven countries, including the UK, France and Belgium. The mass transit subsidiaries in Europe are being meshed in a new holding company.

Bombardier has successfully turned three ugly ducklings of aerospace around and must now repeat the process at DHC. The thing, at least, seems favourable. The workforce has given the deal an enthusiastic welcome, and the commercial aircraft market seems finally to be climbing out of its Gulf war tailspin.

All of these securities having been sold, this advertisement appears as a matter of record only.

57,500,000 Shares

## Chemical Banking Corporation

Common Stock  
(par value \$1 per share)

5,750,000 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International Limited

Lehman Brothers International

Merrill Lynch International Limited

Morgan Stanley International

S.G. Warburg Securities

ABN AMRO Bank N.V.

Banque Indosuez

Barclays de Zoete Wedd Limited

Commerzbank Aktiengesellschaft

County NatWest Securities Limited

Deutsche Bank

Dresdner Bank

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Standardinvest Enskilda Limited

Nomura International

Paribas Capital Markets Group

N M Rothschild & Sons Limited

Swiss Bank Corporation

Yamaichi International (Europe) Limited

51,750,000 Shares

This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co.

Lehman Brothers

Merrill Lynch & Co.

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Dillon, Read & Co. Inc.

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Salomon Brothers Inc

M. A. Schapiro & Co., Inc.

Smith Barney, Harris Upham & Co.

Dean Witter Reynolds Inc.

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William Blair & Company

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Cowen & Company

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McDonald & Company

Piper, Jaffray & Hopwood

Rauscher Pierce Refsnes, Inc.

Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc.

Sutro & Co. Incorporated

Tucker Anthony

Wheat First Butcher & Singer

Arnhold and S. Bleichroeder, Inc.

Robert W. Baird & Co.

The Chicago Corporation

Crowell, Weedon & Co.

Fahnestock & Co. Inc.

First Albany Corporation

Fox-Pitt, Kelton Inc.

Furman Selz

Interstate/Johnson Lane

Johnston, Lemon & Co.

Edward D. Jones & Co.

Ladenburg, Thalmann & Co. Inc.

C.J. Lawrence Inc.

Mabon Securities Corp.

Needham & Company, Inc.

Neuberger & Berman

Scott & Stringfellow Investment Corp.

Stephens Inc.

Stifel, Nicolaus & Company

Wedbush Morgan Securities

Brean Murray, Foster Securities Inc.

Carmona Ferrand Montes Securities Corporation

D. A. Davidson & Co.

Doft & Co., Inc.

WR Lazard, Laidlaw & Mead

Parker/Hunter

Pryor, McClendon, Counts & Co., Inc.

Samuel A. Ramirez & Co., Inc.

Reich & Co., Inc.

Rodman & Renshaw, Inc.

Muriel Siebert & Co., Inc.

Van Kasper & Company

January, 1992

All of these securities having been sold, this announcement appears as a matter of record only.

8,625,000 Shares



## Boise Cascade Corporation

\$1.79 Depositary Shares

Each Representing One-Tenth of a Share of  
Conversion Preferred Stock, Series E  
(Yield Enhanced Stock - YES™ Shares)\*

(\$0.01 Stated Capital)

(Subject to Conversion Into Shares of Common Stock)

Goldman, Sachs & Co.

The First Boston Corporation

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Salomon Brothers Inc

Donaldson, Lufkin & Jenrette

Kidder, Peabody & Co.

Lehman Brothers

Merrill Lynch & Co.

Oppenheimer & Co., Inc.

PaineWebber Incorporated

Smith Barney, Harris Upham & Co.

S.G. Warburg Securities

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Ragen MacKenzie

January, 1992

\*YES is a service mark of Goldman, Sachs & Co.



## INTERNATIONAL COMPANIES AND FINANCE

## Chemicals group puts its house in order

Ronald van de Krol looks at plans to restructure Akzo into a more cohesive unit

Mr. Aarnout Louden, the chairman of Akzo, has embarked on this month on the final and probably the most radical phase of his five-year-old mission to foster greater unity at the Dutch chemicals group.

In many ways, his plan for a "drastic" reorganisation of Akzo's structure, unveiled in a message to staff on January 8, also marks the effective completion of the merger which created the company 25 years ago.

As part of the reorganisation, scheduled to be completed by the end of May 1993, Akzo is to strip the layer of management which separates its headquarters in Arnhem from its 40 business units. The company, which had a turnover of \$1.735bn (\$8.6bn) and net profit before extraordinary items of \$1.718bn in 1990, is active in fields ranging from fibres, coatings and pharmaceuticals to specialty chemicals, basic chemicals and salt.

The restructuring will be accomplished by merging Akzo's headquarters staff with the staff of its five divisions. The divisions will then be eliminated, ensuring that the company's 40 business units, to be grouped in four new product groups, "clusters" - chemicals, fibres, coatings and pharmaceuticals - will report directly to a revamped management team.

Up to 1,000 jobs could be affected by the decision to move divisions staff from around the Netherlands and neighbouring Germany to Arnhem. The reshuffle comes on top of thousands of job losses resulting from Akzo's continuing cost-cutting programmes, particularly in its fibre businesses. The company has lost production of 64,000 tonnes of fibre since 1985.

Mr. Louden, 56, who joined Akzo in 1989, the year of the merger, and later became its chairman in 1992, said the company's existing structure had proved to be inefficient. "It led to communication lines which were far too long, to the risk of misunderstandings, and to the slow execution of decisions," he said.

Until 1987, Akzo was a loose federation of independent-minded divisions, a legacy of the merger which brought together AKU, an international, Dutch-based fibres group, and KZO, a wide-ranging domestic chemicals, pharmaceuticals and salt concern. Soon after the merger, Akzo was plunged into the fibres crisis of the 1970s, preventing the newly-formed group from coming to grips with the inefficiencies of its corporate structure.

Then, under Mr. Louden in the early to mid-1990s, Akzo made a series of big acquisitions, many of them in the US, leaving little time for internal reform.

Since 1987, however, Akzo has tried to concentrate foremost on putting its own house in order. An internal and external "corporate identity" campaign was launched, an exercise which included the fashioning of a new logo - a stylised word of a man holding his arms outstretched above the company's name.

Once-pride names of group subsidiaries, such as Enka in the field of fibres and Sikkens in paints, were replaced by the Akzo name as part of efforts to create a single corporate culture.

Mr. Louden said his latest reorganisation, which follows the decision in 1989 to introduce dozens of business units within the divisions, is bound to enhance profitability at Akzo, though he said it was impossible to quantify the improvement in terms of bottom-line results.

He denied that the organisational shake-up was a response to a downturn in Akzo's results in 1990 and 1991. "Our motivation is the desire to shorten the lines of communication with our business units and is entirely unrelated to developments in the chemicals industry in 1991," he said. Figures for 1991 are scheduled to be released on February 26.

Mr. Louden's speech to staff was well-received on the Amsterdam bourse, where Akzo's shares have risen by nearly 8.5 per cent since January 8 to around \$138.00, outstripping the market's gain of roughly 8 per cent over the same period.

The buoyancy of Akzo's shares is partly the result of expectations that the company stands to benefit from an upturn in the US economy and a firmer dollar. Another factor, however, was Mr. Louden's simultaneous announcement that Akzo planned to diversify more of its weakest operations and that it might seek partnerships for some other activities which have reasonably strong, or potentially strong, market positions.

Akzo has said an analysis of its weaknesses and strengths showed that its strongest business units, such as pharmaceuticals and chlor-alkali products, generated 80 per cent of operating profit on just 45 per cent of turnover. The middle range of activities, encompassing industrial fibres, among others, accounted for 25 per cent of operating profit and 40 per cent of turnover.

However, the weakest of Akzo's businesses, accounting for 15 per cent of turnover, were persistently loss-making on balance.

So far, Mr. Louden said, half of this category had already been removed from Akzo's books through plant closures, outright divestments - such as the sale of the group's majority stake in Spanish fibre company La Seda de Barcelona - or through an exchange of assets with fellow Dutch chemicals group DSM. In mid-1991, Akzo agreed to swap its engineering plastics activities for DSM's powder coatings business.

Since late 1988, Akzo has pursued a more restrained acquisitions policy compared with the mid-1990s, and this will continue. "But, of course, things are never black-and-white, for either a company or for a person," Mr. Louden said. "If a strategic acquisition comes our way, we will look at it very seriously."

Recent examples of strategic takeovers are Akzo's purchase of a US tyre plant from Goodyear and its acquisition of Macpherson, a leading UK paint manufacturer.

On the whole, however, Akzo's attention for the next couple of years will clearly be focused not on takeovers but on reshaping its internal structure, a project which is likely to be Akzo's last big overhaul for the rest of the 1990s.

The reorganisation will also be Mr. Louden's last. Due to retire by 1996, he has made clear that he will probably leave earlier, but not before Akzo has finally been reshaped into a more cohesive unit.



Aarnout Louden: fostering greater unity

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## Public lifts pre-tax profit 28% to M\$164m

By Lim Siong Hoon in Kuala Lumpur

PUBLIC, Malaysia's fourth largest domestic bank, has reported a 28 per cent rise in pre-tax profit to M\$164m (US\$62m) last year from M\$128m in 1990.

The group, which has interests in stockbroking and finance, has been active abroad for the past two years, with acquisitions and investments in a finance company in Hong Kong, 40 per cent of Bancorp in New Zealand and ventures in Sri Lanka and Vietnam.

It marked its 25th anniversary with a 26 per cent improvement in turnover to M\$1,050m from M\$750m. Attributable profit was 28 per cent higher at M\$100m, giving a 12 per cent return on equity capital and earnings per share of 9.1 cents, compared with 7.4 cents.

Public raised its dividend payout 7 per cent to M\$8.6m, or 4.25 cents a share. Group assets were 39 per cent higher at M\$3.5bn, while deposits rose by 40 per cent to M\$2.1bn and by 28 per cent in loans to M\$6.2bn. Shareholders' equity stands at M\$388m.

The expansion of Toyota Finance's business is a reflection of changes in the financial and vehicle marketing environment, but it also represents an important step in the growth of a business with huge potential. Toyota Finance will begin accumulating a large database on Toyota customers that will put it in position to move into other consumer financial services - from credit cards and consumer loans to insurance. Some of these ideas are under consideration by the Toyota management, although no plans have been fixed.

A senior Toyota Finance executive said yesterday he expected Toyota Finance would become a major part of Toyota's business in the future, along the lines of the General Motors Acceptance Corporation, the finance arm of General Motors.

Toyota said the offering of non-recourse finance was demanded by its dealers who, because of Japan's labour shortage, are having difficulty managing the administration of loans. The Bank of International Settlement capital adequacy requirements were also forcing banks to seek more profitable business, such as consumer finance. Toyota would have to offer smaller services to compete.

Toyota Finance now has about ¥650bn (\$5.27bn) in annual transactions, and it expected to have about ¥200bn of annual transactions in non-recourse finance in about three years.

The company had ¥408.7bn of outstanding loans at the end of last June. Although Toyota Motor, a cash-rich company, provided initial funds for Toyota Finance, Toyota Finance is mainly dependent on bank loans for its operations, and expects to end entirely any use of intra-company funding.

## Toyota Motor to offer non-recourse financing to dealers

By Steven Butler in Tokyo

TOYOTA Motor, Japan's largest car-maker, is expanding the operations of its fast-growing finance subsidiary by offering non-recourse financing to Toyota dealers in Japan.

Toyota said yesterday Toyota Finance Corporation would begin purchasing credits on vehicle instalment payments from Toyota dealers and guarantee customer payments by the end of the year. Since operations began in 1989, Toyota Finance has confined its business to lending money to Toyota dealers, who take vehicle loans on to their books and administer the loans.

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## IBM Australia in red for first time

By Bruce Jacques in Sydney

IBM Australia, offshoot of US computer group International Business Machines, has plunged into the red for the first time in its 30 years of operation in Australia.

The company reported it had turned a \$241m (US\$185.5m) profit into a \$238m loss in 1991 on a near-50 per cent slide in revenue to \$1.54bn from \$1.82bn.

The result forms part of a \$238m loss reported earlier by the US group.

Despite its own difficulties, the parent has injected \$200m into the Australian offshoot, the first such support package since the early 1980s.

Mr. Brian Finn, IBM Australia's managing director, said the injection was needed because the Australian company was not generating enough cash and because it needed to maintain balance sheet ratios to hold its debt rating.

The loss reduced shareholders' funds at December 31 to \$28m from \$236m and total assets to \$1.78bn from \$1.82bn.

Mr. Finn said that widely-defined capital spending, which rose to \$401m from \$362m, would probably increase again in 1992.

He confirmed that IBM Australia expected to complete a 35 per cent staff reduction which would see 1,200 employees leave by the end of February, mainly through voluntary redundancies.

This was expected to cut about \$47m from costs in a full year.

"We don't intend to incur a second loss in succession," Mr. Finn said.

"But we are not expecting economic conditions to improve in 1992. And when you can't get your revenue up, you have to cut costs."

The latest result was before a tax credit of \$145m, against an expense of \$106m previously.

The company's revenue per employee fell to \$435,000 from \$462,000.

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## We'd Like To Thank These Companies For Choosing Us To Lead Manage Their Equity Offerings.

In 1991, we served as lead manager or global coordinator for a record \$23 billion in equity transactions on behalf of our issuing clients. Global transactions that drew on our sales, trading and research expertise to reach a worldwide base of investing clients. Transactions that earned us the leading market share in both U.S. and international equity issuance. And most importantly, transactions that assisted both our new and long-standing clients in meeting their financial objectives.

## Equity Issues Lead Managed by Goldman Sachs in 1991 (U.S. Dollars in Millions)

Issuer	Description of Transaction	Global Dollar Amount	Issuer	Description of Transaction	Global Dollar Amount
Ford Motor Company	Convertible Preferred Stock	\$2,300.0	Boston Edison Company	Rule 144A Offering of Zero Coupon Exchangeable Senior Debentures	109.5
Teléfonos de México, S.A. de C.V.*	Global Offering of Ordinary Shares and American Depositary Shares	2,173.2	McDermott International, Inc.	Common Stock	106.1
RJR Nabisco Holdings Corp.	Common Stock	1,295.8	Best Buy Co., Inc.	Common Stock	103.5
MBNA Corporation	Initial Public Offering of Common Stock	917.8	Royal Appliances Mfg. Co.	Initial Public Offering of Common Stock	100.7
Grupo Televisa, S.A. de C.V.	Global Offering of Rule 144A American Depositary Shares, and Series I Shares	862.5	Source Perrier	Block Trade	100.0
Telecom Corporation of New Zealand Limited*	Global Offering of Ordinary Shares and American Depositary Shares	811.9	Republic of Austria	Stock Indexed Growth Notes	100.0
EN Enterprise Petroleum Ltd.	Euroexchangeable Offering; Joint Lead	742.0	Affymax N.V.	Initial Public Offering of Common Stock	92.0
III	International Offering of Ordinary Shares and American Depositary Shares	714.7	AutoZone, Inc.	Initial Public Offering of Common Stock	86.0
The Reader's Digest Association, Inc.	Class A Non-Voting Common Stock	665.0	Health Management Associates, Inc.	Class A Common Stock	85.2
EXEL Limited	Initial Public Offering of Ordinary Shares	620.5	PictureTel Corporation	Common Stock	82.8
Elsevier NV†	Block Trade	616.0	Filene's Basement Corp.	Common Stock	82.7
The Goodyear Tire & Rubber Company	Common Stock	600.0	Manufacturers Hanover Corporation	Block Offering	82.0
Société Nationale Elf Aquitaine*	Global Offering of Ordinary Shares and American Depositary Shares	464.6	Morrison Knudsen Corporation	Common Stock	81.1
Colgate-Palmolive Company	Common Stock	460.0	Filene's Basement Corp.	Initial Public Offering of Common Stock	80.0
PNC Financial Corp.	Common Stock	441.2	PT Indotek Tunggul Prakarsa	Euroconvertible Offering	75.0
Banc One Corporation	Common Stock	370.9	United Technologies Corporation	Zero Coupon Pharmaceutical Exchange Notes	73.2
Safeway, Inc.	Common Stock	358.8	Advanced Telecommunications Corporation	Common Stock	73.2
Dexter Energy, Inc.	Initial Public Offering of Common Stock	345.0	Willson Low & Company PLC†	Block Trade	71.0
Irish Life plc	Global Offering of Ordinary Shares	327.3	Atlantic Energy, Inc.	Common Stock	69.0
LVNH Moët Hennessy Louis Vuitton	Block Trade	304.0	Wellfleet Communications, Inc.	Initial Public Offering of Common Stock	68.4
AMR Corporation	Common Stock	301.9	Technology Solutions Company	Initial Public Offering of Common Stock	65.3
Freeport-McMullan Inc.	Convertible Subordinated Notes	296.5	Lechters	Euroconvertible Offering	65.0
Santa Fe Pacific Corporation	Common Stock	290.6	Boston Edison Company	Common Stock	61.8
LVNH Moët Hennessy Louis Vuitton	Block Trade	280.0	Brad-Rite Corporation	Initial Public Offering of Common Stock	58.6
MGIC Investment Corporation	Initial Public Offering of Common Stock	276.0	Chiffa, Inc.	Common Stock	57.1
Nova Nordisk A/S	Managed Rights Offering	264.0	Sybase, Inc.	Common Stock	57.1
Shopko Stores, Inc.	Initial Public Offering of Common Stock	258.8	Helix-Meyers Company	Common Stock	55.2
Rogers Candel Mobile Communications Inc.	Global Initial Public Offering of Class B Subordinated Voting Stock	255.0	Refuge Group PLC†	Block Trade	52.0
Texas Utilities Company	Common Stock	250.1	Cyrel Corporation	Initial Public Offering of Common Stock	52.0
The Bank of New York Company, Inc.	Convertible Subordinated Debentures	230.0	General Physics Corporation	Initial Public Offering of Common Stock	52.0
The Chubb Corporation	Euroconvertible Offering; Joint Lead	230.0	PictureTel Corporation	Initial Public Offering of Common Stock	47.7
First Union Corporation	Common Stock	242.6	Tecnomed Medical Products, Inc.	Initial Public Offering of Common Stock	47.4
Owens-Corning Fiberglass Corporation	Simultaneous Rule 144A Offering and Euroconvertible Offering of Convertible Junior Subordinated Debentures	230.0	Health Management Associates, Inc.	Initial Public Offering of Class A Common Stock	46.9
National Power PLC & PowerGen plc	International Privatization Offering of Rule 144A American Depositary Shares	209.0	Lechters	Common Stock	46.7
Smith's Food & Drug Centers, Inc.	Class B Common Stock	201.0	Komax, Incorporated	Common Stock	44.9
Carnival Cruise Lines, Inc.	Class A Common Stock	194.1	The Penn Traffic Company	Common Stock	43.3
The Kroger Co.	Rule 144A Offering of Convertible Subordinated Debentures	170.0	Wisconsin Central Transportation Corporation	Initial Public Offering of Common Stock	39.8
Credito Italiano S.p.A.	Global Offering of Ordinary Shares	162.0	Soft Warehouse, Inc.	Convertible Preferred Stock	38.0
Mellon Bank Corporation	Common Stock	153.8	Smithfield Foods, Inc.	Common Stock	36.6
Knight-Ridder, Inc.	Common Stock	152.3	Mobile Telecommunications Technologies Corp.	Common Stock	34.5
CIBA-GEIGY AG	International Offering of Bonds with Warrants	150.0	British Bio-technology Group plc	Preferred Ordinary Shares	19.7
American Greetings Corporation	Class A Common Stock	140.4	IWC Resources Corporation	Common Stock	17.0
Tate & Lyle plc	International Offering of Bonds with Warrants	121.0	The Business Depot Ltd.	Convertible Preferred Stock	13.6
Household International, Inc.	Common Stock	117.5	Cencom of Alabama, L.P.	Partnership Units	11.0
BWIP Holding, Inc.	Initial Public Offering of Class A Common Stock	116.0			
Airborne Freight Corporation	Convertible Subordinated Debentures	115.0			
Télévision Française 1†	Block Trade	112.0			
Dell Computer Corporation	Common Stock	111.4			

\* Goldman Sachs served as global coordinator.

† These block transactions were completed on behalf of third parties. Issued by Goldman, Sachs &amp; Co. and approved by Goldman Sachs International Limited, a member of The Securities and Futures Authority.

New York London Tokyo  
Boston Chicago Dallas Frankfurt  
Hong Kong Houston Los Angeles  
Memphis Miami Montreal  
Paris Philadelphia San Francisco  
Singapore Sydney Toronto Zurich

**Goldman Sachs**



## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 27, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)	COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)
Albania (Albania)	99.25	55.862	34.817	44.256	Ghana (Ghana)	0.000	0.000	0.000	0.000
Algeria (Algeria)	10.1313	5.7029	3.2259	17.3027	Greece (Greece)	331.26	186.434	115.3	148.687
Andorra (Andorra)	38.5415	21.6754	13.4175	17.3027	Greenland (Greenland)	11.0725	6.2327	3.8545	4.9708
Angola (Angola)	9.7800	5.5052	3.4046	4.3905	Guatemala (Guatemala)	4.8222	2.7144	1.6787	2.1648
Antigua (Antigua)	180.95	101.858	62.9934	81.2345	Honduras (Honduras)	1.7765	1.0000	0.6184	0.7975
Argentina (Argentina)	344.43	193.881	119.906	154.620	India (India)	1.0000	1.0000	0.0000	0.0000
Armenia (Armenia)	1.6222	2.1144	1.2679	2.1648	Indonesia (Indonesia)	1.0000	1.0000	0.0000	0.0000
Australia (Australia)	1.6222	2.1144	1.2679	2.1648	Israel (Israel)	1.0000	1.0000	0.0000	0.0000
Austria (Austria)	1.3569	1.7999	1.1129	1.4351	Italy (Italy)	1.0000	1.0000	0.0000	0.0000
Bahamas (Bahamas)	3.4099	1.956	1.2356	1.6016	Jamaica (Jamaica)	1.0000	1.0000	0.0000	0.0000
Bahrain (Bahrain)	20.165	11.3509	7.02	9.0527	Japan (Japan)	1.0000	1.0000	0.0000	0.0000
Barbados (Barbados)	247.00	139.037	85.9678	110.887	Jordan (Jordan)	1.0000	1.0000	0.0000	0.0000
Belarus (Belarus)	1.7765	1.0000	0.6184	0.7975	Kazakhstan (Kazakhstan)	1.0000	1.0000	0.0000	0.0000
Belgium (Belgium)	0.7141	0.3794	0.2346	0.3026	Kenya (Kenya)	1.0000	1.0000	0.0000	0.0000
Belize (Belize)	1.0000	1.0000	0.6184	0.7975	Korea (Korea)	1.0000	1.0000	0.0000	0.0000
Benin (Benin)	1.0000	1.0000	0.6184	0.7975	Kuwait (Kuwait)	1.0000	1.0000	0.0000	0.0000
Bermuda (Bermuda)	1.0000	1.0000	0.6184	0.7975	Laos (Laos)	1.0000	1.0000	0.0000	0.0000
Bhutan (Bhutan)	1.0000	1.0000	0.6184	0.7975	Lebanon (Lebanon)	1.0000	1.0000	0.0000	0.0000
Bolivia (Bolivia)	1.0000	1.0000	0.6184	0.7975	Libya (Libya)	1.0000	1.0000	0.0000	0.0000
Bosnia (Bosnia)	1.0000	1.0000	0.6184	0.7975	Macao (Macao)	1.0000	1.0000	0.0000	0.0000
Botswana (Botswana)	1.0000	1.0000	0.6184	0.7975	Madagascar (Madagascar)	1.0000	1.0000	0.0000	0.0000
Brazil (Brazil)	2.0000	1.0000	0.6184	0.7975	Malawi (Malawi)	1.0000	1.0000	0.0000	0.0000
Bulgaria (Bulgaria)	1.0000	1.0000	0.6184	0.7975	Malaysia (Malaysia)	1.0000	1.0000	0.0000	0.0000
Burkina Faso (Burkina Faso)	1.0000	1.0000	0.6184	0.7975	Maldives (Maldives)	1.0000	1.0000	0.0000	0.0000
Burundi (Burundi)	1.0000	1.0000	0.6184	0.7975	Mali (Mali)	1.0000	1.0000	0.0000	0.0000
Cameroon (Cameroon)	1.0000	1.0000	0.6184	0.7975	Mauritania (Mauritania)	1.0000	1.0000	0.0000	0.0000
Canada (Canada)	1.0000	1.0000	0.6184	0.7975	Mauritius (Mauritius)	1.0000	1.0000	0.0000	0.0000
Cape Verde (Cape Verde)	1.0000	1.0000	0.6184	0.7975	Mexico (Mexico)	1.0000	1.0000	0.0000	0.0000
Cayman (Cayman)	1.0000	1.0000	0.6184	0.7975	Moldova (Moldova)	1.0000	1.0000	0.0000	0.0000
Czech (Czech)	1.0000	1.0000	0.6184	0.7975	Monaco (Monaco)	1.0000	1.0000	0.0000	0.0000
Dominican (Dominican)	1.0000	1.0000	0.6184	0.7975	Morocco (Morocco)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Mozambique (Mozambique)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Namibia (Namibia)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Nepal (Nepal)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Netherlands (Netherlands)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	New Zealand (New Zealand)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Nicaragua (Nicaragua)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Niger (Niger)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Nigeria (Nigeria)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	North Macedonia (North Macedonia)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Norway (Norway)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Oman (Oman)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Pakistan (Pakistan)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Panama (Panama)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Paraguay (Paraguay)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Peru (Peru)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Poland (Poland)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Portugal (Portugal)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Romania (Romania)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Rwanda (Rwanda)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Saudi Arabia (Saudi Arabia)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Senegal (Senegal)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Sierra Leone (Sierra Leone)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Singapore (Singapore)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Slovakia (Slovakia)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Slovenia (Slovenia)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	South Africa (South Africa)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Spain (Spain)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Suriname (Suriname)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Swaziland (Swaziland)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Sweden (Sweden)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Switzerland (Switzerland)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Taiwan (Taiwan)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Tanzania (Tanzania)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Thailand (Thailand)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Togo (Togo)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Tonga (Tonga)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Trinidad (Trinidad)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Tunisia (Tunisia)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Turkey (Turkey)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Turkmenistan (Turkmenistan)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Uganda (Uganda)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Ukraine (Ukraine)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	United Kingdom (United Kingdom)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	United States (United States)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Uruguay (Uruguay)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Uzbekistan (Uzbekistan)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Venezuela (Venezuela)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Yemen (Yemen)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Zaire (Zaire)	1.0000	1.0000	0.0000	0.0000
Dominica (Dominica)	1.0000	1.0000	0.6184	0.7975	Zimbabwe (Zimbabwe)	1.0000	1.0000	0.0000	0.0000

Special Drawing Rights January 24, 1992 United Kingdom £0.781786 United States \$1.060699 Germany D-Mark 2.353777 Japan Yen 173.645

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Export rate; (h) Non-commercial rate; (i) Business rate; (j) Selling rate; (k) Tourist rate; (l) Currency fixed against US Dollar; (m) Floating rate; (n) Pegged rate; (o) Pegged rate; (p) Pegged rate; (q) Pegged rate; (r) Pegged rate; (s) Pegged rate; (t) Pegged rate; (u) Pegged rate; (v) Pegged rate; (w) Pegged rate; (x) Pegged rate; (y) Pegged rate; (z) Pegged rate; (aa) Pegged rate; (ab) Pegged rate; (ac) Pegged rate; (ad) Pegged rate; (ae) Pegged rate; (af) Pegged rate; (ag) Pegged rate; (ah) Pegged rate; (ai) Pegged rate; (aj) Pegged rate; (ak) Pegged rate; (al) Pegged rate; (am) Pegged rate; (an) Pegged rate; (ao) Pegged rate; (ap) Pegged rate; (aq) Pegged rate; (ar) Pegged rate; (as) Pegged rate; (at) Pegged rate; (au) Pegged rate; (av) Pegged rate; (aw) Pegged rate; (ax) Pegged rate; (ay) Pegged rate; (az) Pegged rate; (ba) Pegged rate; (bb) Pegged rate; (bc) Pegged rate; (bd) Pegged rate; (be) Pegged rate; (bf) Pegged rate; (bg) Pegged rate; (bh) Pegged rate; (bi) Pegged rate; (bj) Pegged rate; (bk) Pegged rate; (bl) Pegged rate; (bm) Pegged rate; (bn) Pegged rate; (bo) Pegged rate; (bp) Pegged rate; (bq) Pegged rate; (br) Pegged rate; (bs) Pegged rate; (bt) Pegged rate; (bu) Pegged rate; (bv) Pegged rate; (bw) Pegged rate; (bx) Pegged rate; (by) Pegged rate; (bz) Pegged rate; (ca) Pegged rate; (cb) Pegged rate; (cc) Pegged rate; (cd) Pegged rate; (ce) Pegged rate; (cf) Pegged rate; (cg) Pegged rate; (ch) Pegged rate; (ci) Pegged rate; (cj) Pegged rate; (ck) Pegged rate; (cl) Pegged rate; (cm) Pegged rate; (cn) Pegged rate; (co) Pegged rate; (cp) Pegged rate; (cq) Pegged rate; (cr) Pegged rate; (cs) Pegged rate; (ct) Pegged rate; (cu) Pegged rate; (cv) Pegged rate; (cw) Pegged rate; (cx) Pegged rate; (cy) Pegged rate; (cz) Pegged rate; (da) Pegged rate; (db) Pegged rate; (dc) Pegged rate; (dd) Pegged rate; (de) Pegged rate; (df) Pegged rate; (dg) Pegged rate; (dh) Pegged rate; (di) Pegged rate; (dj) Pegged rate; (dk) Pegged rate; (dl) Pegged rate; (dm) Pegged rate; (dn) Pegged rate; (do) Pegged rate; (dp) Pegged rate; (dq) Pegged rate; (dr) Pegged rate; (ds) Pegged rate; (dt) Pegged rate; (du) Pegged rate; (dv) Pegged rate; (dw) Pegged rate; (dx) Pegged rate; (dy) Pegged rate; (dz) Pegged rate; (ea) Pegged rate; (eb) Pegged rate; (ec) Pegged rate; (ed) Pegged rate; (ee) Pegged rate; (ef) Pegged rate; (eg) Pegged rate; (eh) Pegged rate; (ei) Pegged rate; (ej) Pegged rate; (ek) Pegged rate; (el) Pegged rate; (em) Pegged rate; (en) Pegged rate; (eo) Pegged rate; (ep) Pegged rate; (eq) Pegged rate; (er) Pegged rate; (es) Pegged rate; (et) Pegged rate; (eu) Pegged rate; (ev) Pegged rate; (ew) Pegged rate; (ex) Pegged rate; (ey) Pegged rate; (ez) Pegged rate; (fa) Pegged rate; (fb) Pegged rate; (fc) Pegged rate; (fd) Pegged rate; (fe) Pegged rate; (ff) Pegged rate; (fg) Pegged rate; (fh) Pegged rate; (fi) Pegged rate; (fj) Pegged rate; (fk) Pegged rate; (fl) Pegged rate; (fm) Pegged rate; (fn) Pegged rate; (fo) Pegged rate; (fp) Pegged rate; (fq) Pegged rate; (fr) Pegged rate; (fs) Pegged rate; (ft) Pegged rate; (fu) Pegged rate; (fv) Pegged rate; (fw) Pegged rate; (fx) Pegged rate; (fy) Pegged rate; (fz) Pegged rate; (ga) Pegged rate; (gb) Pegged rate; (gc) Pegged rate; (gd) Pegged rate; (ge) Pegged rate; (gf) Pegged rate; (gg) Pegged rate; (gh) Pegged rate; (gi) Pegged rate; (gj) Pegged rate; (gk) Pegged rate; (gl) Pegged rate; (gm) Pegged rate; (gn) Pegged rate; (go) Pegged rate; (gp) Pegged rate; (gq) Pegged rate; (gr) Pegged rate; (gs) Pegged rate; (gt) Pegged rate; (gu) Pegged rate; (gv) Pegged rate; (gw) Pegged rate; (gx) Pegged rate; (gy) Pegged rate; (gz) Pegged rate; (ha) Pegged rate; (hb) Pegged rate; (hc) Pegged rate; (hd) Pegged rate; (he) Pegged rate; (hf) Pegged rate; (hg) Pegged rate; (hh) Pegged rate; (hi) Pegged rate; (hj) Pegged rate; (hk) Pegged rate; (hl) Pegged rate; (hm) Pegged rate; (hn) Pegged rate; (ho) Pegged rate; (hp) Pegged rate; (hq) Pegged rate; (hr) Pegged rate; (hs) Pegged rate; (ht) Pegged rate; (hu) Pegged rate; (hv) Pegged rate; (hw) Pegged rate; (hx) Pegged rate; (hy) Pegged rate; (hz) Pegged rate; (ia) Pegged rate; (ib) Pegged rate; (ic) Pegged rate; (id) Pegged rate; (ie) Pegged rate; (if) Pegged rate; (ig) Pegged rate; (ih) Pegged rate; (ii) Pegged rate; (ij) Pegged rate; (ik) Pegged rate; (il) Pegged rate; (im) Pegged rate; (in) Pegged rate; (io) Pegged rate; (ip) Pegged rate; (iq) Pegged rate; (ir) Pegged rate; (is) Pegged rate; (it) Pegged rate; (iu) Pegged rate; (iv) Pegged rate; (iw) Pegged rate; (ix) Pegged rate; (iy) Pegged rate; (iz) Pegged rate; (ja) Pegged rate; (jb) Pegged rate; (jc) Pegged rate; (jd) Pegged rate; (je) Pegged rate; (jf) Pegged rate; (jg) Pegged rate; (jh) Pegged rate; (ji) Pegged rate; (jj) Pegged rate; (jk) Pegged rate; (jl) Pegged rate; (jm) Pegged rate; (jn) Pegged rate; (jo) Pegged rate; (jp) Pegged rate; (jq) Pegged rate; (jr) Pegged rate; (js) Pegged rate; (jt) Pegged rate; (ju) Pegged rate; (jv) Pegged rate; (jw) Pegged rate; (jx) Pegged rate; (jy) Pegged rate; (jz) Pegged rate; (ka) Pegged rate; (kb) Pegged rate; (kc) Pegged rate; (kd) Pegged rate; (ke) Pegged rate; (kf) Pegged rate; (kg) Pegged rate; (kh) Pegged rate; (ki) Pegged rate; (kj) Pegged rate; (kk) Pegged rate; (kl) Pegged rate; (km) Pegged rate; (kn) Pegged rate; (ko) Pegged rate; (kp) Pegged rate; (kq) Pegged rate; (kr) Pegged rate; (ks) Pegged rate; (kt) Pegged rate; (ku) Pegged rate; (kv) Pegged rate; (kw) Pegged rate; (kx) Pegged rate; (ky) Pegged rate; (kz) Pegged rate; (la) Pegged rate; (lb) Pegged rate; (lc) Pegged rate; (ld) Pegged rate; (le) Pegged rate; (lf) Pegged rate; (lg) Pegged rate; (lh) Pegged rate; (li) Pegged rate; (lj) Pegged rate; (lk) Pegged rate; (ll) Pegged rate; (lm) Pegged rate; (ln) Pegged rate; (lo) Pegged rate; (lp) Pegged rate; (lq) Pegged rate; (lr) Pegged rate; (ls) Pegged rate; (lt) Pegged rate; (lu) Pegged rate; (lv) Pegged rate; (lw) Pegged rate; (lx) Pegged rate; (ly) Pegged rate; (lz) Pegged rate; (ma) Pegged rate; (mb) Pegged rate; (mc) Pegged rate; (md) Pegged rate; (me) Pegged rate; (mf) Pegged rate; (mg) Pegged rate; (mh) Pegged rate; (mi) Pegged rate; (mj) Pegged rate; (mk) Pegged rate; (ml) Pegged rate; (mm) Pegged rate; (mn) Pegged rate; (mo) Pegged rate; (mp) Pegged rate; (mq) Pegged rate; (mr) Pegged rate; (ms) Pegged rate; (mt) Pegged rate; (mu) Pegged rate; (mv) Pegged rate; (mw) Pegged rate; (mx) Pegged rate; (my) Pegged rate; (mz) Pegged rate; (na) Pegged rate; (nb) Pegged rate; (nc) Pegged rate; (nd) Pegged rate; (ne) Pegged rate; (nf) Pegged rate; (ng) Pegged rate; (nh) Pegged rate; (ni) Pegged rate; (nj) Pegged rate; (nk) Pegged rate; (nl) Pegged rate; (nm) Pegged rate; (nn) Pegged







## UK COMPANY NEWS

## Maxwell crash sparks fees bonanza

By Bronwen Maddox, Andrew Jack and Robert Rice

PROFESSIONAL FEES related to the collapse of the Maxwell business empire may have topped £11m since last November and could currently total more than £225,000 a day, according to estimates by the Financial Times.

News of the amounts charged comes at a time when the insolvency profession is undergoing severe criticism, including questions about the £75m bill in fees and costs charged by Touche Ross for winding up BCCI.

However, estimates suggest that the Maxwell collapse has already clocked up accountancy bills of more than £5.3m, and legal bills of more than £6m. A conservative estimate of accountants' bills assumes that they have worked only eight hours a day, five days a week, with hourly charge-out rates of £200 per hour for partners and £80 per hour for other staff.

Arthur Andersen, the accountancy firm, has had about 100 staff and 10 partners involved in the administration of the private Maxwell companies since December 5. This suggests a total bill so far of £2.8m or nearly £50,000 a day.

Price Waterhouse, the administrator of Maxwell Communication Corporation, has

had an average of about six partners and about 90 staff working since late December - a total of about £1.5m.

Robson Rhodes, the accountancy firm acting as provisional liquidator of Bishopsgate Investment Management, the pension fund manager, have had two partners and the equivalent of 15 other staff full-time investigating pensions since early December, suggesting a bill of £448,000 to date.

Coopers & Lybrand Deloitte appointed two partners and about a dozen staff as investigators to the private Maxwell companies after Mr Maxwell's death: about £218,000.

Touche Ross, the liquidator to First Tokyo Index Trust, a fund controlled by Mr Maxwell, has employed a partner and about seven staff since early December: about £213,000. Other work from Grant Thornton, administrator to Robert Maxwell Estates and administrator or receiver to several other related subsidiaries, has used about five staff and one partner since early December: about £168,000.

The firms involved declined to comment on their charges, although several have pointed out that the assumptions behind the hours put in were conservative - they

have been sacrificing their evenings and weekends for months.

However, insolvency practitioners respond to general complaints of overcharging by saying that reports of their fees have been exaggerated, that their costs are scrutinised by the courts and creditors, such as banks, which appoint them, and that the fees they receive represent a small proportion of the assets recovered.

The legal bills in the Maxwell case are no less significant. At least 15 leading City law firms and 32 barristers have been involved in the legal quagmire resulting from the collapse of the Maxwell empire, employing an estimated 42 partners and 47 assistant solicitors.

Taking solicitors' charges at an average of £250 an hour for partners and £170 for assistants, that suggests a daily bill of about £148,000. In addition, senior QCs will probably be charging between £400 and £800 an hour.

Since early December most of the solicitors and a third of the barristers will have been working full time on the Maxwell cases, giving total legal costs of the Maxwell collapse of approximately £5m.

## Wace chief acts to stem IRA rumour

By Andrew Bolger

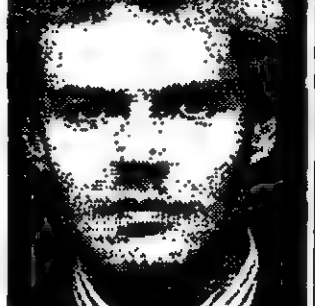
WACE Group, the world's largest pre-press printing specialist, yesterday took the unusual step of denying it was a front for the IRA.

Wace made the statement at noon after market rumours linked it with a report in the Sunday Telegraph that a listed UK company was under investigation for laundering funds for the terrorist organisation.

The company's shares fell from 177p to 155p in relatively heavy trading, wiping £14.5m from its market value. After the statement, the shares recovered to close at 168p.

Mr John Clegg, chief executive, said he was "astounded" as to why some traders had associated his company with the Sunday Telegraph report, which referred to an unnamed company with an annual turnover of £200m.

Wace's brokers, BZW, were routinely contacted by the Stock Exchange after the sudden drop in price. BZW informed Mr Clegg that Wace



John Clegg: a very difficult decision to make

was one of several names about which traders were speculating. Mr Clegg said: "Our group was the only one of them which saw its share price fall, so we decided to put out the statement. It was a very difficult decision."

Wace has grown rapidly by acquisition in the last six years, mainly funded from rights issues and placings. About 70 per cent of its shares are held by financial institutions.

Mr Clegg said Wace had no Irish operations or directors. He has been a director of the Anglo-Irish Bank for several years, due to an historic family connection: "My mother is Irish. I suppose we all have some Irish blood."

Wace's shares have fallen sharply from their peak of 284p last year. BZW said it again suspected that yesterday's rumour came from "bear raiders", who at the end of last year had circulated "totally unjustified" stories about the group.

## Lonrho selling MAN truck importing business for £20m

By Kevin Done and Roland Rudd

MAN accounted for 4.9 per cent of the UK market for trucks above 3.5 tonnes last year, which it is relatively small compared with its presence elsewhere in Europe. It was in eighth place in the UK market, overshadowed by groups such as DAF, Iveco and Mercedes-Benz.

Lonrho said that MAN would take over the UK operations "as soon as practicable" and not later than the end of March.

The acquisition is a further step in the trend for leading car and truck makers to take over direct control of the importing and distribution of their products in main volume markets.

Mr Robert Dunlop, deputy

chairman of Lonrho, said the company believed that the funds currently deployed in the truck business could be better utilised elsewhere in Lonrho's operations. The new truck market has more than halved in the last two years with the steepest decline in the post-war period.

Lonrho has already confirmed the sale of its 50 per cent interest in Kijana and Nagel, the German freight forwarder, for DM940m (£38.8m). Lonrho is also understood to be planning the sale of both the Glasgow Herald and the Evening Times, which belong to the group's George Outram subsidiary. The sale could fetch up to £200m.

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## Wellcome finds buyer for environmental health arm

By Paul Abrahams

WELLCOME Foundation, the pharmaceutical group, continued its rationalisation with the sale of its environmental health division to Roussel Uclaf, the French company, for £24m.

The division, which sells prophylaxis as an insecticide for household and environmental public health, and protecting wood and stored grain, had turnover in 1990 of about £10m. Wellcome said the net tangible assets to be sold were worth £23.5m.

The sale is part of Wellcome's drive to become a pure pharmaceutical company. Sir Alistair Frame, chairman, announced in 1990 that the company would be examining all aspects of its business to

improve efficiency and financial performance.

Last year it sold Calmex International, its hygiene services business, to Rentokil and its vaccine operations to Medeva, the fast-growing UK pharmaceutical group. Roussel Uclaf was assisted in negotiations by JP Morgan, the US bank.

Roussel Uclaf would become one of the world's leading environmental health companies following its acquisition, said Dr Pascal Housset, managing director of the group's agrovet division.

Sales in the agrovet division should reach £450m in 1992, he added. In 1991 the division's operations represented 26 per cent of Roussel's turnover.

## Racal reaffirms its forecast of £50m profit

By Roland Rudd

Racal Electronics yesterday reaffirmed its forecast that it would make pre-tax profits of not less than £50m for the year to March 31, 1992.

The statement, issued after a meeting of the full board, was in response to the publication of an internal memorandum suggesting that the profit forecast might not be met.

The forecast was part of the group's successful defence against last year's hostile £150m bid from Williams Holdings, the industrial conglomerate. The statement said: "On the basis and assumptions set out in the circular to Racal shareholders dated December 6, 1991, and excluding results of Wellcome Group, operating profit will not be less than £50m, and profit before tax will not be less than £50m."

Racal's internal memorandum warned that the profit forecast would be harder to meet because of unforeseen delays on several large contracts. Racal said the memorandum only referred to part of the radio division, where one contract had been delayed.

## Verbal basis of Goldman deals shocks City

By Bronwen Maddox

INSTITUTIONS have expressed surprise that Goldman Sachs, the US investment house, dealt with secretive trusts introduced to it by the late Mr Robert Maxwell simply on the basis of "verbal confirmation" that they were unconnected with Mr Maxwell.

Their comments came as investigators uncovered another offshore trust, TIB Inc, which is understood to be involved in the alleged illicit operation to support the shares of Maxwell Communication Corporation.

Investigators, who now believe that hundreds of millions of pounds missing from Mr Maxwell's public companies were used to prop up MCC's shares, have focused on several deals last spring and summer in which Goldman sold MCC shares to trusts in Liechten-

stein and Switzerland.

Although the orders came from the independent lawyers who managed the trusts, the money to buy the shares is now known to have come from Mr Maxwell's private companies, and after dealing, some of the shares were held in private Maxwell companies.

It is illegal under UK company law for a company to use its own funds to buy its shares without shareholder approval.

Before dealing, Goldman obtained verbal confirmation that the buyers were not connected with Mr Maxwell, and obtained written confirmation in all but one case afterwards. However, as indications of the share support operation have emerged, Goldman has become concerned that it could have been misled.

Institutions and brokers

with experience of dealing with Goldman were surprised that the investment house had considered verbal confirmation to be sufficient because of its "famously tough" vetting of new clients and other parties with which it deals.

In their view Goldman has been among the most rigorous of the brokers, both in complying with regulations and in protecting itself against credit risk in dealing.

One large institution said yesterday: "They are very definitely in the meticulous camp in all aspects of dealing and it would be extremely unusual for them to relax that."

Another said: "It's a real struggle to get accepted as a client - you have to fill in a mound of paperwork, and if you get a little bit wrong, it can all come right back to be

done again," while showing the Financial Times the half-inch-thick pile of statements required by Goldman for dealing in futures and options.

There is no suggestion that Goldman has broken the rules of the Securities and Futures Authority in the UK or the Securities Exchange Commission in the US.

According to the SFA's current rules, there is a general obligation on the broker to "know your client" but this does not apply if the broker is approached "for execution only" - simply to transact the deal, rather than to offer investment advice.

However, other brokers said last night that they were reluctant to take on large "execution only" orders because of the credit risk in dealing with unknown parties.

## Buy-out team seeks to spur sale of MGN

By Raymond Snoddy

SIR PETER PARKER, the recently appointed chairman of the management buy-out team at Mirror Group Newspapers, is planning a meeting with senior bankers in an attempt to speed up the sale of the popular newspaper group.

There is growing concern in the buy-out team, which includes Mr Richard Stott, editor of the Daily Mirror, that more than three months after the death of Mr Robert Maxwell no formal data is being made available.

Since the collapse of the Maxwell empire the future of MGN is largely in the hands of big banks. The banks hold the 51 per cent of MGN shares that were owned by the private Maxwell interests.

Sir Peter, a former chairman of British Rail, hopes that he can persuade the banks that it is in their interests to go for a sale as quickly as possible.

The buy-out team fears that delays and uncertainties, particularly over issues such as the MGN pension fund, could damage morale at the Mirror group.

There is also concern about the high interest rates that the newspaper group is having to pay on the short-term funding.

Sir Peter's team, backed by Electra, the venture capital group, believes that the basic numbers have not changed since early December. Enough uncommitted data should now be available to enable a bid to be put together.

The fear is that both Mr John Talbot, the Arthur Andersen administrator, and the banks are taking a relaxed view about the future of MGN because it is profitable.

There are even signs that if no immediate buyers come forward the banks are prepared to continue running the group for the foreseeable future.

The danger is that the Mirror titles could suffer in the highly competitive popular newspaper marketplace where games backed by heavy television promotion can be vital for maintaining circulation.

Yesterday The Sun launched a new film bingo competition. The Daily Mirror is expected to launch its own bingo game soon.

Meanwhile Daily Mirror journalists have discovered that despite uncertainties about the precise level of pensions in the event of their death in service their dependants will be cared for.

Insurance premiums have been paid on members of the pension fund so that widows of Mirror journalists, for example, would receive a lump sum equal to three times salary plus continuing payments of a quarter of salary.

An MGN executive last night challenged the view that the group might be a deteriorating asset if a sale does not happen quickly.

"MGN will increase in value and will get a higher price," the executive said.

## Four-for-one stock split of the Total share effective February 10, 1992

As authorised by shareholders at the Extraordinary Meeting held December 18, 1991, the Board of Directors of TOTAL agreed at its meeting on January 27, 1992 to increase the nominal value of the company's shares by FF 150 per share through the capitalization of reserves. Each share will then be split into four, also as approved by shareholders at the Extraordinary Meeting. The split will take effect on February 10, 1992, at the same time as the capital increase.

On that date, each shareholder will receive four new shares, each with a par value of FF 50, in exchange for each former FF 50 share held.

The split is expected to reduce the unit price of TOTAL shares, thereby increasing their liquidity and broadening their market.

The rights of holders of share equivalents will be protected. In particular, as of February 10, 1992:

- Each warrant will be exercisable for nine new shares, at an aggregate price of FF 1,950 or FF 216.7 per share.
- Each convertible bond maturing January 1, 1992 but convertible up until March 31, 1992 (as per the customary grace period) will be convertible into 4.04 new shares.

Following the stock split, the share capital of TOTAL will be represented by 210.4 million shares and share equivalents.

For the ADSs, this stock split will only result in the ratio of shares to ADSs changing from one-to-eight to one-to-two.



TOTAL BY NAME. TOTAL BY NATURE

TOUR TOTAL, CEDEX 47, 92089 PARIS LA DEFENSE France

## 1992 GENEVA EXECUTIVE COURSES IN FINANCE

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FINANCIAL ANALYSIS: FUNDAMENTALS, NEW DEVELOPMENTS AND PRACTICAL APPLICATIONS

August 24 - 26  
FORECASTING TECHNIQUES IN FINANCIAL MARKETS

August 31 - September 4  
EXCHANGE-RATE AND INTEREST-RATE ECONOMICS

September 7 - 11  
BOND PORTFOLIO AND INTEREST-RATE RISK MANAGEMENT

September 14 - 18  
OPTIONS: VALUATION, HEDGING AND PORTFOLIO APPLICATIONS

September 21 - 25  
INVESTMENT APPLICATIONS OF FINANCIAL FUTURES AND SWAPS

September 28 - October 2  
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## 1991 Interim Dividend

The Board of Directors of Telefonía de España, S. A. in its meeting held on December 18th, 1991 adopted the following resolution:

To distribute an interim dividend for the fiscal year 1991 to Telefonía shares that will be the following amount for each one of the shares indicated below:

SHARE NUMBER	GROSS AMOUNT	NET AMOUNT
1 to 926,958,077	18.75	18.75

It was also agreed that the payment of this dividend shall be carried out on February 17th, 1992, with charge to coupon number 139. Credit and Trustee Entities which work with Telefonía will perform their own deposits. Holders of shares and Credit and Trustee Entities who do not work with Telefonía will perform them in the main offices, subsidiaries or agencies of any of the following Entities:

Banco Bilbao Vizcaya, Central-Hispanoamericano, Español de Crédito, Banco de España, Santander, Caja Postal, Confederación Española de Cajas de Ahorro, Caja Madrid, Caixa and Bagnoli.

The share certificates related to a number of shares that, for whatever reason, are presented for cancellation on the dividend payment date shall be understood as having exercised this right, for which reason they must be presented adequately stamped, stating textually:

"All rights exercised up to 17-02-92."

The paying Entities shall strictly comply with the instructions received from the Issuing Entity, both in order to produce the corresponding debits and to accept those from other Entities.

Madrid, January 27th, 1992

THE BOARD OF DIRECTORS

Telefónica



## UK COMPANY NEWS

## Demand for refrigerators helps limit fall at Bullough

By Roland Rudd

BULLOUGH, the office products and refrigeration group, yesterday announced that it would maintain its dividend for the year to end-October 1991. The 20 per cent fall in pre-tax profits to £10.5m (£26m) was less than some commentators feared, mainly because of a strong performance from refrigeration. Environmental and health concerns have led to a big demand for new fridges, increasing the division's operating profit to £1.6m (£6.1m).

The results were also lifted by an exceptional surplus of £34,000 arising on settlement of insurance claims after redundancy costs.

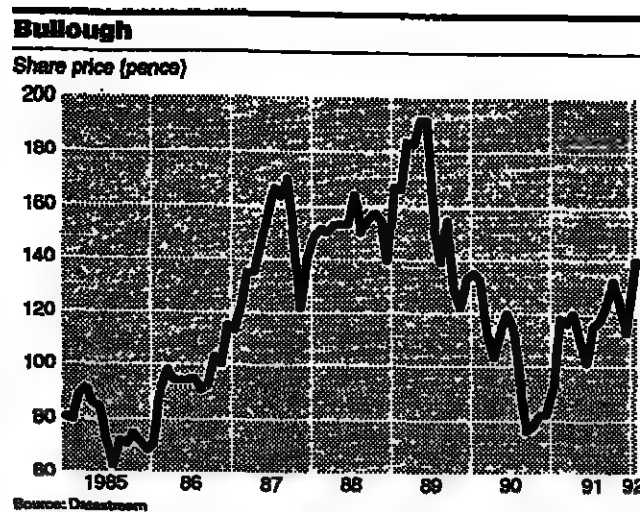
Earnings per share fell from 14.5p to 11.5p. A recommended unchanged final dividend of 4.5p maintains the total for the year at 16p.

Operating profits at the remaining divisions were: heating £2.8m (£4.1m); electrical £1.6m (£2.1m); and engineering £2.8m (£3.1m).

Mr Derrick Battle, chairman, said debt was reduced by slash in capital expenditure as turnover fell from £318m to £285m.

Office products, which continued to suffer from the recession, saw operating profit fall from £1.1m to £7.8m as sales fell by 25 per cent.

Shareholding incurred a loss of £1.7m compared to a profit of £2.0m as sales by BFN stockholders to the DIY retail sec-



tor fell sharply in the first half. Several cut-backs, leading to a reduction in the workforce of 230 to 80, enabled the division to make a small profit in the second half.

Operating profits at the remaining divisions were: heating £2.8m (£4.1m); electrical £1.6m (£2.1m); and engineering £2.8m (£3.1m).

● COMMENT

As Derrick Battle put it: "If you are going to surprise the market there is only one way to do it: produce better results." Accordingly the share price jumped by 15p to close at 14p. Analysts expected a fall in profits; few companies are in need of office furniture and the

recession in the DIY market is far from over. Yet there was plenty of good news to please the market: store fitting is already back in profit and refrigeration has proved recession proof. A significant reduction in working capital has led to a reduction in gearing from 40 per cent two years ago to under 10 per cent today. That figure is likely to continue to fall - and with it the £1.8m interest charge - as costs are further reduced. Full year pre-tax profit forecasts of £22m, reflecting an upgrading from some analysts after yesterday's results, gives earnings per share of 12p and a prospective multiple of 11.6. The shares still look cheap.

## Return to black at Dale Electric

By Andrew Bolger

DALE ELECTRIC, the Yorkshire-based power and lighting group, made pre-tax profits of £497,000 in the six months to October 27, compared with a loss of £148,000 in the corresponding period.

The group said the improvement continued the good work of the second half of last year, when it moved back into the black after suffering from project delays.

Turnover was flat at £24.1m (£24.4m) but directors said that continuing rationalisation and the strength of the group's export markets had improved its resilience to recession.

The order book stood at £35m, enough for seven months work.

Although lower base rates cut interest payments from £1.2m to £982,000, gearing remained about 88 per cent. The group is seeking to dispose of surplus property in Ashford, Kent, but this was being delayed by uncertainty over the Channel rail tunnel and the present depressed state of the market.

Earnings per share of 2.7p compared with losses of 1.7p last time. The interim dividend is maintained at 2p.

## BICC sells networking business

By Michio Nakamoto

BICC Group, the international cables and construction group, is selling its data networking business to 3Com, the US-based global data networking company, for \$25m (£15.8m) and 500,000 shares of 3Com common stock.

The sale reflects moves by BICC to move out of peripheral businesses and focus more closely on its core cable and construction operations.

For 3Com the attraction of the acquisition is that it gives the US company a leading market position in four of the key products in data networking. The acquisition also immediately provides it with a strong presence in the European market.

BICC's networking business will also benefit. Although it had sales last year of \$75m and was profitable, it did not have the critical mass needed to gain international competitiveness, said Ms Janice Roberts, currently president of BICC's networking business in the US.

## Willis Corroon takes 50% Italian stake

WILLIS CORROON Group, the insurance broker, is buying a 50 per cent stake in UTA, a family-owned group which is one of Italy's top 10 insurance brokers. No price was given.

UTA earned commission income of £8.5m (£3.9m) on total premiums of £77m last year. The company, which will continue to be run by members of its three controlling families, has in recent years extended its activities from its original Turin base to a number of big Italian cities.

Willis Corroon has long-standing relations with Italian insurers and intermediaries, said Mr Roger Elliott, Willis chairman. "Now we are happy to be represented directly. UTA has built a reputation for the quality of its client service."



Roger Elliott: happy to be represented directly

## Southern Radio

Southern Radio, formerly Invicta Sound, yesterday reported a pre-tax loss of £238,000 for the year to end-September.

That compared with a profit of £197,000 previously and came from turnover down from £4.1m to £3.5m. In December 1991, Invicta reversed into Southern Radio and the figures exclude the results of Southern.

The company said that advertising revenue in the period had come under considerable pressure as the result of the recession. National airtime revenue fell by 3.7 per cent while local airtime revenue fell by 18.6 per cent.

Strict cost-cutting measures had been introduced resulting in a 7.5 per cent reduction in operating costs. Exceptional charges during the year totalled £263,000, and mainly related to redundancy and reorganisation costs and provisions against loans of a related company.

Losses per share were 3.5p (2.15p earnings) and there is no dividend (0.75p).

## TR Smaller Cos

Net asset value of TR Smaller Companies Investment Trust at November 30 was 148.8p, down 0.9 per cent from the 150.3p of six months earlier - over this period the FT-Actives All-Share Index fell 2.7 per cent. At November 30 1990, net asset value stood at 122.8p.

Earnings for the half year to end-November slipped to 2.6p (2.5p) per share and the interim dividend is held at 1.5p. In his statement in July, the chairman said: "1991 will be the year of dividend disappointments."

## Aukett

Aukett Associates, the architectural and design group, saw pre-tax profits decline from £1.5m to £360,000 in the year

## NEWS DIGEST

seven months to end-September 1990.

Earnings per share emerged at 4.54p, against 1.84p for the previous seven months. A proposed final dividend of 2p brings the total for the 15 months to 4.54p.

## Armour Trust

Profits of Armour Trust, which has interests in confectionery, electronic components and car accessories, declined from £865,000 to £905,000 pre-tax for the half-year to October 31.

The 6 per cent setback resulted from higher interest charges reflecting working capital needs.

First-half turnover improved to £11.8m (£10.9m). Earnings slipped to 2.2p (2.36p) per share, but the interim dividend is lifted to 0.315p (0.3p).

## FT-SE futures

Trading in financial futures and options on futures in the FT-SE 100, FT-SE Eurotrack 100 and FT-SE Eurotrack 200 indices is expected to commence this summer on the Chicago Mercantile Exchange, subject to the approval of the Commodity Futures Trading Commission.

The London Stock Exchange has already reached agreement with the Chicago Board Options Exchange to trade warrants and cash options on the UK and European indices.

The FT-SE 100 index was introduced in January 1984. The FT-SE Eurotrack 100 and FT-SE 200 indices were introduced in October 1989 and February 1991 respectively.

## Standard Platforms

Standard Platforms Holdings, the USM-quoted computer services group, reported losses of £471,000 on turnover of £248,000 in the six months to end-September.

A large part of the loss was due to Docufile, the US computer services company, where directors said there had been difficulties in its sales and marketing direction. The company had since been restructured.

Standard did not trade until June 15 1990. In the period to September 30 1990 losses were £311,000 on turnover of £265,000.

## Caldwell Invs

Caldwell Investments, the USM-quoted clothing company, reported pre-tax profits ahead from £4,500 to £220,000 in the year to October 31. The improvement was the result of better trading on the Continent where it has most of its business.

Turnover was £4.3m (£4.15m) and earnings per share came out at 1.62p against losses of 0.67p. There was an extraordinary charge of £24,000 (£44,800).

## L&amp;G suffers sharp reductions in annual premium business

By John Authers

LEGAL & General, the life assurance group, yesterday announced substantial reductions in new regular premium life and pensions business during 1991.

In common with trends for the industry, most of the £1.5bn taken in by L&G last year was in single premium business.

Using the industry's standard Equivalent Premium Income yardstick, which adds one-tenth of new single premiums to the total of annual premiums for the year, worldwide business increased slightly from £327m to £332m. The UK's share rose from £266.5m to £267.3m.

Annual premium business, affected by the recession with consumers reluctant to take on new commitments, fell from £210.8m to £170.1m in the UK,

and from £266.5m to £267.3m worldwide.

New business figures rose from £468m to £522m thanks to a strong increase in UK single premium business. Much of this came in one-off business from large pension funds.

Mr David Prosser, chief executive, said: "Legal & General is not immune from current economic pressures."

"In particular, our regular annual premium business in the UK continues to be affected by a stagnant housing market into which we sell our mortgage related policies - and a struggling business environment into which we sell out personal pension plans."

● L&G also said yesterday that it was going to reduce its exposure to claims from build-

ing and contents insurance by changes in its reinsurance programme, writes Richard Lapper.

Following heavy losses in its non-life business from substandard, theft and mortgage indemnity claims, Mr Prosser announced last year that L&G wanted to cut back its involvement in more volatile general insurance business.

The company is still negotiating its arrangements for 1992 with reinsurers but has already agreed a quota share proportional treaty to cede 40 per cent of its household property business.

In proportional business insurers cede a share of their exposure for a proportional share of the premium receiving a reinsurance commission in exchange.

**BANK OF CHINA**  
U.S. Dollar Floating Rate Notes due July 1991  
- WKN 478 545 -

In accordance with the Conditions of the Notes which are hereby given that for the interest period January 24, 1992 to July 23, 1992 (182 days) the Notes will bear interest at the rate of 4 1/2% per annum. The coupon amount per U.S.\$10,000 Note will be U.S.\$214.86 and per U.S.\$100,000 Note U.S.\$2,148.61. The Interest Payment Date will be July 24, 1992.

In January 1992 Deutsche Bank Aktiengesellschaft

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**HMC**  
HOUSEHOLD MORTGAGE CORPORATION PLC

£102,754,591  
ACQUISITION FACILITY

To finance the purchase of a U.K. residential mortgage portfolio from Boston Safe Deposit and Trust Company (UK) Limited

Provided by  
Swiss Bank Corporation

DECEMBER 1991

**HMC**  
HOUSEHOLD MORTGAGE CORPORATION PLC

£110,000,000  
REVOLVING CREDIT FACILITY

To finance U.K. residential mortgage loans pending their securitisation

Structured and provided by  
Lloyds Bank Capital Markets Group

National Westminster Bank PLC  
Securitisation and Receivables Financing Unit

DECEMBER 1991



## TECHNOLOGY

## Counting on cellular customers

Market research predictions in the UK mobile phone business have rarely borne relation to the eventual size of the business. With cellular radio in particular, pundits greatly underestimated the number of potential subscribers.

With this in mind, Unitel, one of the licensees for personal communications networks (PCNs), which should begin services in 1993, has chosen a novel way of more accurately evaluating the market.

"All the research in the past has been based on what consumers think they will do," points out Andy Sukawaty, Unitel's chief operating officer. "But it's impossible to quantify what people will do just by asking them." In addition, points out Sukawaty, research in the past has concentrated on how many people will buy portable phones, not on how many calls they will make.

Instead of asking people what they intend to do, Unitel selected some 400 potential domestic and small business users in three areas where the existing cellular radio was of high quality and gave each of them one of the latest hand-portable cellphones. They then charged them for the subscription and calls as if they were PCN users.

One of the most striking results of the survey was the number of users who, once the initial three-month trial was over, wanted to keep the phones - some 250 of them.

As a result of the survey, Unitel has concluded that the potential exists for 1.88m households in the UK to subscribe to PCN and a further 496,000 small businesses.

Unitel also concluded that PCN would increase the usage of the phone generally. Before the trial began the customers spent an average 230 minutes on the phone every month, but that rose to 300 minutes a month with the mobile phone.

Although the usage of the ordinary BT line went down to 300 minutes a month, Sukawaty points out that BT's revenues are likely to increase rather than decrease because most of the calls will use BT lines for part of the journey.

Della Bradshaw

Seven-Eleven Japan, the convenience store chain, likes to know its customers intimately. Its recently upgraded point-of-sales (Pos) system helps to ensure this is the case.

Checkout assistants key into the checkout terminals the age and sex of each customer as they key in the price of goods. The company says the information means it can stock the products its customers want to buy.

Establishing a customer's sex should be straightforward. Age is more of a problem. 7-Eleven's youthful team of checkout assistants must guess a customer's age within five bands: Under 13, 13-19, 20-29, 30-49 and over 50. Each is a distinct consumer group with different needs and spending patterns, according to the marketing theory.

7-Eleven says that analysing the data enables each of the chain's 4,500 stores in Japan to tailor its stock to the local market and compete more effectively with large retailers. If the store is near a school it will stock items that students are likely to want; if it is in a residential area it will stock more household goods.

Mini-computers have been installed in all of the stores (franchises as well as directly-run outlets). A time-switch on the computer produces two graphs overlaid every two hours: the age/sex profile is laid over the latest stock and sales position. The graphics give store managers a snapshot that should improve their ability to make accurate decisions about what stock to buy. Slow-moving goods or dead stock are swiftly removed from the shelves.

7-Eleven stores in Japan typ-

Sheila Jones describes how 7-Eleven in Japan uses customer information to sell more goods

## A short life on the shelf

ically stock about 3,000 products per 100 sq metres of shop space. The lifecycle for any product can be short - about 70 per cent are changed in a year. The company has increased sales and reduced inventories as a result of its attention to customer profile and inventory control.

The latest upgrading also includes graphic ordering terminals. These hand-held consoles with tiny graphic screens enable swift and well-informed ordering from the shop floor. Inventory scanners have also been introduced. Bar codes on deliveries are scanned and the information is fed into the store's mini-computer.

Before the scanners, a warehouse worker ticked off goods against a computer print-out. Information can be exchanged between the mini-computer, graphic ordering terminals and cash registers. The mini-computers are also linked to the central distribution system.

The company's latest Pos system was installed 14 months ago. It will be upgraded between April and July this year.

7-Eleven's Pos system has

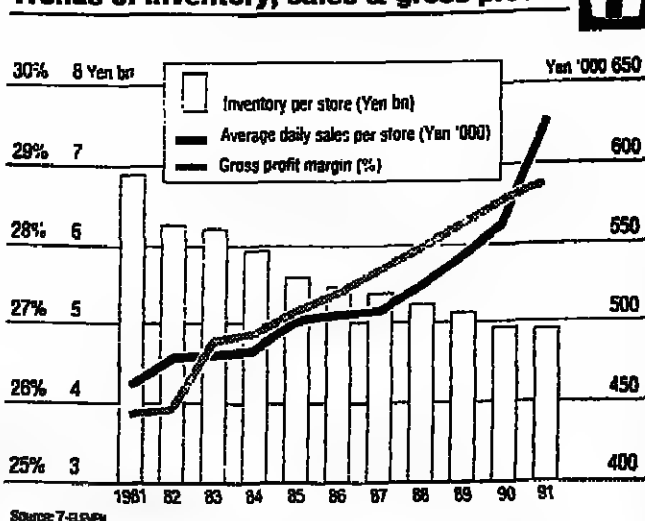
been converted partly to digital technology which enables the transmission of voice, data and graphic information using phone lines. Much of the network still operates on a traditional analogue network. The company is planning to convert the whole system to an integrated services digital network (ISDN) over the next few years. 7-Eleven's head office, stores and distribution centres were connected to a central computer in August 1979. Since then, it has exploited the network at a breathtaking pace. In 1981, the company installed a computerised Pos system with terminals at each store.

A four-temperature (hot for rice, cool for noodles, chilled for milk, frozen for ice cream), delivery and distribution system was tagged on to the system in 1984, linking wholesalers and producers.

In 1985, new checkout terminals were brought in, allowing data communications between individual stores and suppliers.

In 1986, 7-Eleven customers were able to pay their electricity and gas bills at the neighbourhood store - bills include bar codes that can be read by

Trends of inventory, sales &amp; gross profit



Source: 7-Eleven

terminals at 7-Eleven stores. The Pos upgrading to be installed this spring will bring in equipment for the launch of 7-Eleven's joint venture with Shop America, a US-based direct mail catalogue sales operation. A nine-inch, double-sided screen will be attached to existing checkout terminals, one side facing the checkout and the other the customer.

Customers will be able to order from a range of foreign-made goods direct from the US at any 7-Eleven check-out. Information about an item - prices and availability - will show up on the screen.

The screens would also be able to display, for example, the plan of a theatre, enabling a customer to choose seats and order tickets at the checkout.

Investment in 7-Eleven's latest Pos installation and the upgrading this spring will cost the company ¥350m (£160m).

7-Eleven Japan's parent company, Ito-Yokado, is eager to export the Japanese chain's retailing methods to the US, where 7-Eleven was founded. Last year, Ito-Yokado took control of Southland, the Dallas-based convenience store group which runs 7,000 shops in the US and nearly 2,000 in 20 other countries. Ito-Yokado made clear at the time it would want to teach the troubled US chain (from which the original 7-Eleven Japan licensing rights were bought) how to run convenience stores.

Don Cowan, publicity manager for 7-Eleven in the US, says tests are under way to determine what kind of system might work best in America, but it is "some distance away" from an advanced network.

"No one knows yet whether or not what is effective in Japan would work the same in the US," says Cowan.

released no figures on the current number of users, although it says 10,000 customers would be a good day.

Setting up the service cost ¥30m (£13.5m) including installation of the first 5,000 machines. Running costs include the use of NTT phone lines. The fax machines are leased by Yamato and most of the information used by the service is provided free in return for advertising on the fax sheets. Stores where fax machines are installed receive a commission fee.

Competition is so far limited to only a few small operators. "It would be a problem if NTT got into it," says Katsuhiko Sakai of Yamato.

SJ

## Bad instructions at 48p a minute

By Paul Abrahams

A nasty little habit appears to be creeping into the more of British computer companies. They are using premium-rate telephone lines to provide technical support. A portion of the call's cost on these lines goes to the information provider, in this case the computer company.

Customers are increasingly being forced to fork out 48p a minute at peak times - and most services are only available at peak times - to discover how to get their computers to work.

Obviously this wouldn't be such a cause for griping. A problem clearly exists for the computer companies. In the past they have provided technical support free of charge, creating a demand limited only by the willingness of callers to pay small amounts for phone calls. And although lengthy calls have cost customers very little, they have proved highly expensive for the companies providing the necessary back-up. It has also proved irritating for customers - the lines seemed permanently engaged.

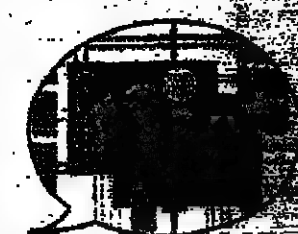
Times are tough in the computer industry. So the decision by Amstrad, Alan Sugar's British computer company, and Locomotive software, suppliers of the Locomotive word processing program, to use 0698 premium rate numbers is at one level understandable.

Howard Fisher at Locomotive says the company used to end up answering every question under the sun about their product and those of others. As many of their software packages were selling for £20 it just was not financially viable to provide 30 minutes of support over the telephone.

Meanwhile, Amstrad says it is not embarrassed about introducing premium-rate services in spite of a certain resistance from customers. The group claims its 12 customer support staff have been able to handle 85 per cent more calls because users, aware they are spending 48p a minute, take less time to make their queries.

Both Amstrad and Locomotive also say people now tend to be more careful to read the manuals before they phone.

Reading the manuals before



TECHNICALLY SPEAKING

ringing is a good idea. Your recent is having to pay when it comes to a computer, which has produced a completely incomprehensible manual.

So here's the grudge. My father recently purchased an Amstrad SX360AT personal machine, including basic software, a button for accessing the Mercury telephone system and a completely useless manual. Having persuaded my father - incapable of operating a video machine after more than 10 years - to sign-up with Mercury, it was left to me to program the fax machine with the Mercury access code.

Being a bit of a technophile, I thought this wouldn't be too tricky. I turned to page 33 of the manual. I defy anyone to be able to program the machine for Mercury from the instructions there. It appeared necessary to have read the manual step-by-step from page one to 33 before setting-up the Mercury line.

The result was that I was forced to spend money on the telephone rewarding Amstrad for writing an incomprehensible and impossible manual.

So I'll make a plea to electronic hardware and software companies. Technical support has to be paid for, and if the cost isn't covered in the price of a product, by all means use premium-rate numbers for recouping expenses. Most customers won't mind spending a little extra on a premium-rate telephone call.

But please give the customer a chance. Write manuals that are comprehensible in the first place. Electronics companies shouldn't be rewarded for poorly written poor manuals. I'll be writing to Alan Sugar asking him to invest my £2.40 in new instructions.

## Added-value fax service under starter's orders

the stores where a machine is installed. Yamato says a typical customer would be an executive away from the office who needs to get hold of a document quickly, or to send one. The service also provides information from a menu including horse racing results, baseball scores and tourist information - in English or Japanese. A shopping information sheet, for example, would include details of how to get to a particular area, a list of shop

phone numbers and a map of the district, including the main stores and subway lines. The service also operates a central system for companies and users are billed later.

At the moment, the service contributes only a tiny proportion of revenues - less than 1 per cent - and the company says it will take three years before it moves into profit.

Yamato is planning for 50,000-60,000 users a day by 1995. The company has

example. This will be done automatically. Customers have to register with Yamato as fax users. Personal codes are keyed in to the fax machines and users are billed later.

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## BRISTOL &amp; WEST BUILDING SOCIETY

£150,000,000 Floating Rate Notes due 1996

Notice is hereby given that the notes will bear interest at 10 1/2% per annum from 24 January 1992 to 24 April 1992. Interest payable on 24 April 1992 will amount to £271.94 per £10,000 note and £2,719.43 per £100,000 note.

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## ARE YOU GETTING YOUR FT COMMENT DAILY?

## ACCUMULATOR INVEST A/S DENMARK

hereby calls a Bondholders' Meeting for owners of Bonds issued by Accumulator Invest A/S in April 1990, known as the Accumulator Invest 1992 Bonds.

The Bondholders' Meeting will be held on Wednesday, the 19th of February 1992 at 11.00 am at Amaliegade 10, 1256 Copenhagen K, Denmark.

The agenda for the Bondholders' Meeting is as follows:

- 1) Proposal of change of Terms and Conditions of Accumulator Invest A/S 1992 Bonds. The essence of the proposal is as follows:
  - i) Proposal of prolonging the maturity of the Bonds for two years until April 19, 1994
  - ii) Proposal of raising the nominal interest rate on the Bonds to 5% above the CIBOR interest rate equivalent to approx. 12% annually.
- 2) Other business.

The Board of Directors of Accumulator Invest A/S proposes to extend the period for the Accumulator Invest A/S 1992 Bonds by two years to the effect that the Bonds shall be redeemed on April 19, 1994. At the same time the board of directors proposes that the nominal interest rate on the Bonds shall be increased from 10% per annum to approx. 12% per annum from April 20, 1992 until April 19, 1994.

Admission to and right to vote at the Bondholders' Meeting is open to each holder of Bonds in circulation at least 48 hours before the Bondholders' Meeting who has produced evidence to be a Bondholder and has asked to be given a voting certificate or has appointed a proxy and notified Accumulator Invest A/S 48 hours before the time fixed for the meeting.

Adoption of proposal under Item 1 on the agenda requires that at least two Bondholders jointly representing at least half of the Bonds in circulation are present at the Bondholders' Meeting and that the proposal is accepted by at least 75% of the votes cast at the Bondholders' Meeting.

At the Bondholders' Meeting each Bond of nominal DKK 1,000 - entitles the Bondholder to one vote. If the necessary quorum is not present at the Bondholders' Meeting the chairman of the Meeting, upon the Company's request, may adjourn the meeting for a period of not less than 28 days and not more than 42 days. The adjourned meeting may be called by giving at least two days notice and such an adjourned meeting decision may be taken irrespective of the amount of Bonds represented at the Meeting provided the proposal is passed by at least 75% of the votes cast at the adjourned Bondholders' Meeting.

Decisions which have been taken at the Bondholders' Meeting in accordance with the rules pertaining thereto are binding on all Bondholders. The complete proposal for the amendment to the Terms and Conditions of the Accumulator Invest A/S 1992 Bonds, and the Regulations for Terms and Conditions of Bondholders, are available from Accumulator Invest A/S upon a request addressed to the registered office, 45, Amaliegade, 1256 Copenhagen K, Denmark.

By Order of the Board  
Copenhagen, 21st January, 1992

## BRITANNIA BUILDING SOCIETY

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In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 24th January 1992 to (but excluding) 24th April 1992, the Notes will carry a rate of interest of 10.75% per cent. per annum. The relevant interest payment date will be 24th April 1992. The coupon amount per £10,000.00 will be £268.21 payable against surrender of Coupon No. 22.

Hambros Bank Limited Agent Bank

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In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 23rd January 1992 to (but excluding) 23rd April 1992, the Notes will carry a rate of interest of 10 1/2% per cent. per annum. The relevant interest payment date will be 23rd April 1992. The coupon amount per £10,000.00 will be £233.54 and per £100,000.00 will be £2,335.43 payable against surrender of Coupon No. 8.

Hambros Bank Limited Agent Bank



# Brussels strives to keep farm reform plans on track

By David Gardner in Brussels

THE EUROPEAN Commission was last night trying to keep its plans to overhaul the Common Agricultural Policy on track in the face of attempts by several member states to postpone decisions until the outcome of the Uruguay Round world-trade negotiations is known.

"We feared the impasse over farm subsidies within the General Agreement on Tariffs and Trade negotiations was calling into question the European Commission's reform proposals, which the Commission had managed to push through last year by the end of last year."

EC farm ministers broke off their meeting last night to meet separately with the Portuguese president, the Portuguese prime minister and the Portuguese minister of Agriculture to discuss the Commission's reform proposals. The Commission was expected to try to resolve by today the "chicken and egg" question of whether enough member states feel able to decide levels of reduction in CAP support before the level of subsidy cuts within GATT is agreed.

The council meeting opened with six of the 12 - Denmark, the Netherlands, the UK, Ireland, France and Italy - saying the Uruguay Round outcome must be known first. Mr John Gummer, UK farm minister, first in the bilateral "confessionals" with the president and commission, said "we must wait for a GATT deal and find out what it is, and then work for a CAP deal."

The CAP reform proposed by the commission envisages sharp cuts, centred on a 35 per cent reduction in cereals support prices over three years, refunded to farmers on the basis of average yields in the 1989-91 reference period, thereby getting rid of the incentive to produce more grain, the main product in the farm subsidies dispute within GATT. Larger farmers would have to take land out of production to get the compensation.

The agriculture chapter in the draft conclusions of the Uruguay Round, requires a 35 per cent cut in export subsidies, a 24 per cent cut in the volume of subsidised exports, and a 20 per cent drop in domestic support, all over six years. Though seemingly compatible, the GATT formula would not allow the EC's direct compensation payments in the "green box" for "neutral" subsidies, even though they are tailored to restrict production, which would feed through into less subsidised exports which distort trade.

The commission insists it needs some recognition of this quasi-decoupled compensation if it is to make the cuts. It also fears that some member states now see the opportunity to play off the two negotiating processes, thereby winning back the ground they had ceded in the CAP talks throughout last year.

Mr Ray MacSharry, the EC agriculture commissioner, said his officials say - threaten to introduce cuts without any compensation at all as part of this year's price package, in an effort to jolt ministers and the big farm lobbies into line.

Mr Ray MacSharry, the EC agriculture commissioner, said his officials say - threaten to introduce cuts without any compensation at all as part of this year's price package, in an effort to jolt ministers and the big farm lobbies into line.

# Milk board launches co-op plan

By David Blackwell

THE MILK Marketing Board for England and Wales yesterday launched plans to become a single voluntary co-operative with pooled prices.

The plans, which follow two years of painfully slow progress towards reform, include the issue to milk producers of shares in Dairy Crest, the MMB's wholly-owned subsidiary with a 25 per cent stake in the UK's manufactured dairy products market.

The Dairy Trade Federation, which represents dairies and processors and has resisted any MMB attempt to keep out of Dairy Crest, said "This is a major step forward. We strongly support the separation of Dairy Crest with its shares to be directly owned by dairy farmers."

The two sides have been locked in a stubborn contest about how the UK's 60-year-old

cartel should be reformed to meet the challenge of the 1990s, particularly the single European market.

Mr Bob Stevens, chairman of the MMB, said yesterday the board would have preferred to maintain the old scheme, amended within a European context. However, change was inevitable, and the board's objective now was to create a worthwhile industry that gave farmers a chance to maintain their own destiny.

Mr Andrew Dore, a former president of the DTF who has been an adviser to the MMB, said that shares in Dairy Crest would be given to existing milk producers on the basis of the milk they had supplied in the past over a given period. The shares would be tradable among milk producers.

The plan would give Dairy Crest clear objectives and put it on an equal footing with competitors, he said.

The single voluntary co-op could be the strongest and most efficient marketing organisation in Europe. It would collect milk, pool it and pay the farmers monthly as now, as well as maintaining quality assurance.

But at the end of the day the new co-op would only survive if it met the customers' needs, Mr Dore said.

Prices, now fixed according to what the milk is used for, would be set by an agreed pricing system "to be discussed with the dairy trade, Maff [the agriculture ministry] and the European Commission," the MMB said.

Mr Stevens said he would be surprised to see any legislation before the coming election.

# Strike threatened at Russian gold mine

A MAJOR Russian gold producing company is threatening to strike unless the government raises the price it pays for gold and meets other demands, according to Tass news agency, reports Reuters from Moscow.

The independent Interfax news agency said the far eastern company, Yakutsk Gold, has already decided to hold a two-week warning strike on January 30, and planned further industrial action on February 10.

Yakutsk Gold, which has three refineries, will strike from February 9 if urgent measures are not taken to hand the industry out of crisis. Tass quoted Mr Taras Dasyatkin, the general director, as saying. He said Yakutsk's gold produc-

tion was "on the brink of catastrophe" as a result of heavy taxes, low gold prices and sharply rising prices for equipment and other goods.

"Closing the enterprises in February, in his opinion, is the only way to influence the government," Tass said.

Mr Dasyatkin said on the government to review the producer price for gold, bring it up to world market levels, change existing tax policies and fulfil other obligations to workers.

# Chile plans \$430m boost for copper production

By Leslie Crawford in Santiago

CODELCO, THE state-owned Chilean Copper Corporation, is raising its investment budget by 16 per cent to \$430m this year to develop new ore bodies and reduce toxic emissions at its ageing smelters. The budget increase marks an important victory for CODELCO, which lobbied a reluctant government for more funds to maintain its position as the world's biggest copper producer.

"The importance of this year's budget is that it sets a benchmark for future years," Mr Ignacio Guerrero, CODELCO's financial vice-president, said yesterday. Investment levels of the past two years - \$350m in 1990 and \$370m in 1991 - were not sufficient to combat falling output and declining ore grades at CODELCO's ageing mines.

About half of this year's investment budget would go towards prospecting and developing new ore bodies, Mr Guerrero said. Another 20 per cent would be channelled towards environmental protection. Chacabambata, the vast copper complex in the Atacama desert, would get a new sulphuric acid plant that will absorb noxious sulphur dioxide emissions. And at the Petroleros and Calama mines, also scheduled for overhaul.

CODELCO plans to start exploiting low-grade copper sulphides at Chacabambata and at two other mining divisions, Salvador and El Teniente, in the mid-1990s. A new mine to the north of Chacabambata, recently christened Radium Tonic, is scheduled to come on stream. Productive capacity at CODELCO's smallest division, Andina, is also being expanded.

The company hopes that these new projects will reverse the trend of declining output of the past two years. It produced 1.12m tonnes of refined copper in 1991, down from a peak of 1.34m tonnes in 1989.

However, most of Chile's increased copper production in the 1990s will come from large private sector projects under construction. The latest of these was announced yesterday by Rio Algom. The Canadian mining company said Chile's foreign investment committee had approved its plans to develop the \$800m Cerro Colorado mine in the Atacama desert.

# Yemen's oil-fired optimism

Bidding has been intense for exploration rights, writes Eric Watkins

NEW DISCOVERIES of oil, gas and precious metals are leading the way to brighter economic prospects in Yemen, long considered one of the world's least developed countries. Precise estimates of the country's potential have yet to be determined, but experts are enthusiastic about initial signs.

Exploration rights have been purchased by 18 oil companies over the past year and one of them, Canadian Occidental, is already reported a major find. Located at Masila, in southern Yemen, the new field was early this month declared commercially viable, with total reserves at 550m barrels, of which 236m barrels are recoverable.

Can-Oxy plans to start production in mid-1993 after an accelerated programme of development.

With exploration still in the early stages experts are wary of making precise predictions about Yemen's oil potential. But most agree that the country will be able to produce about 1m b/d in the foreseeable future.

Though Yemen's first commercial strike was in the north, most exploration is now concentrated in the south, particularly around Shabwa in the Hadramaut Valley. Oil companies had long suspected that there were considerable reserves there, but concession rights in the former Marxist state were dominated by the Soviet Union.

Unification of North and South Yemen in May 1990 opened the way for western companies and the new Yemen government has been quick to

capitalise on the competition, selling rights this year alone for an estimated \$700m.

Oil executives say that competition for concessions has been intense and that the bidding for rights has been unusually high. But they point out the potential rewards. Yemen's oil is said to be first-rate, with a low sulphur content and a high ratio of associated gas.

The Organisation of Petroleum Exporting Countries must cut oil output to prevent sharp falls in crude prices as Kuwaiti production continues to climb and Iraq looks to resume oil sales to an already glutted market, Mr Hamoud al-Raghib, Kuwaiti oil minister, said yesterday, reports Reuters from Kuwait.

He said it was difficult to say how much Opec must trim output by but its ministers should agree on an effective formula when they meet in Geneva on February 12.

Comparable in quality to Arabian light crude, Yemen's oil is said to require little refining and so may attract premium prices on the world market.

While optimistic about Yemen's potential, oil executives also warn that full-scale commercial production is still several years away. Apart from seismicological work, exploratory drilling and assessment of commercial feasibility, production of electrical power and has potential markets throughout the industrialised world. Marketing experts are said to be paying special attention to Korea and Japan where LNG is used extensively in industry.

Yemen is also said to have considerable reserves of liquid propane gas, used for domestic purposes such as cooking and heating. Though Yemen's reserves have some export potential, their primary use will be for domestic consumption thus ending the country's former dependence on imported supplies.

While oil and gas are certain to be the main sources of Yemen's mineral wealth, exporters are also looking into its mining potential. That potential has long been suspected and, indeed, mining experts are now using ancient historical documents to guide their initial explorations.

Preliminary reports are so far sketchy. But in addition to traces of gold and silver at traditional mining sites, geologists also hint at the possibility of uranium deposits in altogether new areas of exploration. They stress, however, that their explorations have only just begun and that any preliminary work remains to be done before any reliable statements can be made about Yemen's mining prospects.

Tentative as they are, these new discoveries of Yemen's potential mineral wealth are bringing a sense of optimism to the country. Chronically one of the world's poorest nations, Yemen was especially hard-hit by the Gulf war and for most of the past year its economy has suffered from steadily rising inflation and unemployment. Recent times have been hard for Yemen and its problems may continue for a while yet. But, as one oil executive put it: "I'm bullish on the prospects."

# Indians want to double sugar exports

By Kunal Bose in Calcutta

THE INDIAN sugar mill industry wants the government to authorise exports totalling 1m tonnes on the world market this year, up from 625,000 tonnes in 1991.

At prevailing world prices the sales would be at a loss but the industry is keen to maximise exports because of expected oversupply throughout the year, according to Mr Om Dhanuka, spokesman for the Indian Sugar Mills Association. Last year's exports left the industry with a loss of about Rs450m (\$3.7m) and this year's will be at a minimum loss of Rs150m a quintal (100 kg).

The government, facing a serious balance of payments crisis, is likely to accede to the industry's request. It has, however, turned down a suggestion to create a buffer stock of 1m tonnes, claiming it does not have the money to finance it.

Whatever happens the sugar mills, which in 1991 lost more than Rs7bn, will fare even

worse in the current year. According to Mr Dhanuka, the industry is moving deeper into the red because of the unscientific pricing policy for sugarcane and the high percentage of sugar the mills are required to sell to the government at much below production costs for distribution through "fair price" shops.

Every year the federal government lays down the statutory minimum price for cane, which forms the basis of the levy sugar price. For the 1991-92 (October-September) season the minimum price is Rs25 a quintal, based on a sugar yield of 8.5 per cent. But the mills, seeking to please the powerful cane growers' lobby, are forcing the mills to pay up to Rs16 a quintal more. The mills are supposed to make sufficient profit from the sale of 15 per cent of sugar production in the open market to compensate for the loss incurred on the 45 per cent levy portion. But they are real-

ising a little over Rs700 a quintal, even though the break-even price of Rs970s a quintal.

Because of these poor returns, the mills are not able to clear their cane bills. By April, the problem will be assuming threatening proportions. The cane case arrears are likely to be over Rs7bn. At one point last season the unmet cane bills amounted to Rs3.5bn. From the last season's arrears have been brought forward into the current year.

The farmers, furious with the mills for their failure to clear their bills, have in many places destroyed the ratoon (autumn crop), otherwise sugar production in the current season could easily have reached 12m tonnes, instead of equalling last season's 12m tonnes, as is expected.

Mr Dhanuka does not rule out the possibility of large scale diversion of land from sugarcane to other crops.

# Brazil searches for coffee policy

By Victoria Griffith in Sao Paulo

UNCERTAINTY is deepening over the Brazilian position at the next International Coffee Organisation meeting in London on 5 February. A meeting between exporters and the Brazilian government to define a new price listing proposal was postponed to today because of what the government referred to as "scheduling problems".

The Brazilian coffee sector has been floundering for the lack of some kind of coherent policy since its proposal (made jointly with Colombia) for the retention of 10 per cent of production in an effort to boost prices was rejected a few months ago by other major coffee producing nations, who felt a better option was the revival of the International Coffee Organisation's export quota system, suspended since July 1989.

Brazilian exporters say they are firmly against a return to any kind of quota system.

## WORLD COMMODITIES PRICES

### MARKET REPORT

PLATINUM PRICE discount against gold narrowed sharply yesterday as the white metal led an advance at the London bullion market. The platinum price closed at \$351.25 a troy ounce, up \$8 from Friday, while gold was up \$1.50 to \$355.75 an ounce. Silver edged up the week's sharp fall, ending 1 cent to the good at 418 cents an ounce. "Physical demand and a little speculative activity have helped the metals," one Zurich dealer said, adding "the firm opening on Wall Street helped underpin the white metal a little".

Misadventure in London trader suggested that "people are trying to trade the gold/platinum spread to flat again." At the London Metal

Exchange aluminium prices maintained the recent bullish sentiment. The cash price closed at a 5 1/2-month high of \$1,267.50 a tonne, adding \$16 to last week's \$1,251.50 rise and taking the price up to \$1,441. Dealers said the tone was aided by an early burst of Far East buying, short-covering, options-related activity and constructive chart patterns. But nickel continued to retreat from the upside resistance area tested on Friday. Under profit-taking pressure the cash price closed \$105 down at \$7,760 a tonne. Copper prices bounced with cash metal gaining \$3 to \$2,227 a tonne.

Compiled from Reuters

DOLAR - London POOL (\$ per tonne)			
Close	Previous	High/Low	
Mar 799	794	796 793	
May 799	796	796 794	
Jul 799	796	796 794	
Sep 799	796	796 794	
Nov 799	796	796 794	
Jan 799	796	796 794	
Mar 799	796	796 794	

LONDON METAL EXCHANGE (Prices supplied by Anonymous Metal Trading)			
Close	Previous	High/Low	Alt Official
Aluminium, 99.7% purity (30 tonne)	1267.50	1267.50	1267.50
Cash 1267.50	1267.50	1267.50	1267.50
3 months 1267.50	1267.50	1267.50	1267.50
5 months 1267.50	1267.50	1267.50	1267.50
7 months 1267.50	1267.50	1267.50	1267.50
9 months 1267.50	1267.50	1267.50	1267.50
11 months 1267.50	1267.50	1267.50	1267.50
13 months 1267.50	1267.50	1267.50	1267.50
15 months 1267.50	1267.50	1267.50	1267.50
17 months 1267.50	1267.50	1267.50	1267.50
19 months 1267.50	1267.50	1267.50	1267.50
21 months 1267.50	1267.50	1267.50	1267.50
23 months 1267.50	1267.50	1267.50	1267.50
25 months 1267.50	1267.50	1267.50	1267.50
27 months 1267.50	1267.50	1267.50	1267.50
29 months 1267.50	1267.50	1267.50	1267.50
31 months 1267.50	1267.50	1267.50	1267.50
33 months 1267.50	1267.50	1267.50	1267.50
35 months 1267.50	1267.50	1267.50	1267.50
37 months 1267.50	1267.50	1267.50	1267.50
39 months 1267.50	1267.50	1267.50	1267.50
41 months 1267.50	1267.50	1267.50	1267.50
43 months 1267.50	1267.50	1267.50	1267.50
45 months 1267.50	1267.50	1267.50	1267.50
47 months 1267.50	1267.50	1267.50	1267.50
49 months 1267.50	1267.50	1267.50	1267.50
51 months 1267.50	1267.50	1267.50	1267.50
53 months 1267.50	1267.50	1267.50	1267.50
55 months 1267.50	1267.50	1267.50	1267.50
57 months 1267.50	1267.50	1267.50	1267.50
59 months 1267.50	1267.50	1267.50	1267.50
61 months 1267.50	1267.50	1267.50	1267.50
63 months 1267.50	1267.50	1267.50	1267.50
65 months 1267.50	1267.50	1267.50	1267.50
67 months 1267.50	1267.50	1267.50	1267.50
69 months 1267.50	1267.50	1267.50	1267.50
71 months 1267.50	1267.50	1267.50	1267.50
73 months 1267.50	1267.50	1267.50	1267.50
75 months 1267.50	1267.50	1267.50	1267.50
77 months 1267.50	1267.50	1267.50	1267.50
79 months 1267.50	1267.50	1267.50	1267.50
81 months 1267.50	1267.50	1267.50	1267.50
83 months 1267.50	1267.50	1267.50	1267.50
85 months 1267.50	1267.50	1267.50	1267.50
87 months 1267.50	1267.50	1267.50	1267.50
89 months 1267.50	1267.50	1267.50	1267.50
91 months 1267.50	1267.50	1267.50	1267.50
93 months 1267.50	1267.50	1267.50	1267.50
95 months 1267.50	1267.50	1267.50	1267.50
97 months 1267.50	1267.50	1267.50	1267.50
99 months 1267.50	1267.50	1267.50	1267.50
101 months 1267.50	1267.50	1267.50	1267.50
103 months 1267.50	1267.50	1267.50	1267.50
105 months 1267.50	1267.50	1267.50	1267.50
107 months 1267.50	1267.50	1267.50	1267.50
109 months 1267.50	1267.50	1267.50	1267.50
111 months 1267.50	1267.50	1267.50	1267.50
113 months 1267.50	1267.50	1267.50	1267.50
115 months 1267.50	1267.50	1267.50	1267.50
117 months 1267.50	1267.50	1267.50	1267.50
119 months 1267.50	1267.50	1267.50	1267.50
121 months 1267.50	1267.50	1267.50	1267.50
123 months 1267.50	1267.50	1267.50	1267.50
125 months 1267.50	1267.50	1267.50	1267.50
127 months 1267.50	1267.50	1267.50	1267.50
129 months 1267.50	1267.50	1267.50	1267.50
131 months 1267.50	1267.50	1267.50	1267.50
133 months 1267.50	1267.50	1267.50	1267.50
135 months 1267.50	1267.50	1267.50	1267.50
137 months 1267.50	1267.50	1267.50	1267.50
139 months 1267.50	1267.50	1267.50	1267.50
141 months 1267.50	1267.50	1267.50	1267.50
143 months 1267.50	1267.50	1267.50	1267.50
145 months 1267.50	1267.50	1267.50	1267.50
147 months 1267.50	1267.50	1267.50	1267.50
149 months 1267.50	1267.50	1267.50	1267.50
151 months 1267.50	1267.50	1267.50	1267.50
153 months 1267.50	1267.50	1267.50	1267.50
155 months 1267.50	1267.50	1267.50	1267.50
157 months 1267.50	1267.50	1267.50	1267.50
159 months 1267.50	1267.50	1267.50	1267.50
161 months 1267.50	1267.50	1267.50	1267.50
163 months 1267.50	1267.50	1267.50	1267.50
165 months 1267.50	1267.50	1267.50	1267.50
167 months 1267.50	1267.50	1267.50	1267.50
169 months 1267.50	1267.50	1267.50	1267.50
171 months 1267.50	1267.50	1267.50	1267.50
173 months 1267.50	1267.50	1267.50	1267.50
175 months 1267.50	1267.50	1267.50	1267.50
177 months 1267.50	1267.50	1267.50	1267.50
179 months 1267.50	1267.50	1267.50	1267.50
181 months 1267.50	1267.50	1267.50	1267.50
183 months 1267.50	1267.50	1267.50	1267.50
185 months 1267.50	1267.50	1267.50	1267.50
187 months 1267.50	1267.50	1267.50	1267.50
189 months 1267.50	1267.50	1267.50	1267.50
191 months 1267.50	1267.50	1267.50	1267.50
193 months 1267.50	1267.50	1267.50	1267.50
195 months 1267.50	1267.50	1267.50	1267.50
197 months 1267.50	1267.50	1267.50	1267.50
199 months 1267.50	1267.50	1267.50	1267.50
201 months 1267.50	1267.50	1267.50	1267.50
203 months 1267.50	1267.50	1267.50	1267.50
205 months 1267.50	1267.50	1267.50	1267.50
207 months 1267.50	1267.50	1267.50	1267.50
209 months 1267.50	1267.50	1267.50	1267.50
211 months 1267.50	1267.50	1267.50	1267.50
213 months 1267.50	1267.50	1267.50	1267.50
215 months 1267.50	1267.50	1267.50	1267.50
217 months 1267.50	1267.50	1267.50	1267.50
219 months 1267.50	1267.50	1267.50	



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INDUSTRY**

3i defines investment  
capital as permanent and  
long-term capital in the  
form of share and loan  
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companies

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# THE CHALLENGE IS GROWTH. THE CHOICE IS YOURS.

There may come a time in the life of any successful business when you must make a crucial decision about what you want to achieve with it. Do you feel that you have attained all that you want – are you happy to remain small? Or do you want to face the challenge to grow?

For over forty five years, 3i has been helping managers with enough drive and ambition to take up that challenge – and to meet it. We try to see the potential for growth in every company with which we have dealings and to turn that potential into reality. We do this by providing the necessary capital and expertise it takes to help them succeed and achieve the growth they want.

Whatever the current size of your company, our philosophy as successful investors in industry remains the same. In our experience the best way to ensure consistent success is to produce individually tailored solutions to different problems and to be prepared to provide long term commitment to help your business develop.

So if you want to take the plunge, give your local 3i office a call.







**INVESTMENT TRUSTS - Co**

BUILDING MATERIALS • CONTRACTS

## CONTRACTING A CONSTRUCTION • Con

**ENGINEERING - GENERAL - Cont.**

**HEALTH & HOUSEHOLD - Cont.****INVESTMENT TRUSTS - C**

Company	1991/92	1990/91	1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81	1979/80	1978/79	1977/78	1976/77	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71	1969/70	1968/69	1967/68	1966/67	1965/66	1964/65	1963/64	1962/63	1961/62	1960/61	1959/60	1958/59	1957/58	1956/57	1955/56	1954/55	1953/54	1952/53	1951/52	1950/51	1949/50	1948/49	1947/48	1946/47	1945/46	1944/45	1943/44	1942/43	1941/42	1940/41	1939/40	1938/39	1937/38	1936/37	1935/36	1934/35	1933/34	1932/33	1931/32	1930/31	1929/30	1928/29	1927/28	1926/27	1925/26	1924/25	1923/24	1922/23	1921/22	1920/21	1919/20	1918/19	1917/18	1916/17	1915/16	1914/15	1913/14	1912/13	1911/12	1910/11	1909/10	1908/09	1907/08	1906/07	1905/06	1904/05	1903/04	1902/03	1901/02	1900/01	1899/00	1898/99	1897/98	1896/97	1895/96	1894/95	1893/94	1892/93	1891/92	1890/91	1889/90	1888/89	1887/88	1886/87	1885/86	1884/85	1883/84	1882/83	1881/82	1880/81	1879/80	1878/79	1877/78	1876/77	1875/76	1874/75	1873/74	1872/73	1871/72	1870/71	1869/70	1868/69	1867/68	1866/67	1865/66	1864/65	1863/64	1862/63	1861/62	1860/61	1859/60	1858/59	1857/58	1856/57	1855/56	1854/55	1853/54	1852/53	1851/52	1850/51	1849/50	1848/49	1847/48	1846/47	1845/46	1844/45	1843/44	1842/43	1841/42	1840/41	1839/40	1838/39	1837/38	1836/37	1835/36	1834/35	1833/34	1832/33	1831/32	1830/31	1829/30	1828/29	1827/28	1826/27	1825/26	1824/25	1823/24	1822/23	1821/22	1820/21	1819/20	1818/19	1817/18	1816/17	1815/16	1814/15	1813/14	1812/13	1811/12	1810/11	1809/10	1808/09	1807/08	1806/07	1805/06	1804/05	1803/04	1802/03	1801/02	1800/01	1799/00	1798/99	1797/98	1796/97	1795/96	1794/95	1793/94	1792/93	1791/92	1790/91	1789/90	1788/89	1787/88	1786/87	1785/86	1784/85	1783/84	1782/83	1781/82	1780/81	1779/80	1778/79	1777/78	1776/77	1775/76	1774/75	1773/74	1772/73	1771/72	1770/71	1769/70	1768/69	1767/68	1766/67	1765/66	1764/65	1763/64	1762/63	1761/62	1760/61	1759/60	1758/59	1757/58	1756/57	1755/56	1754/55	1753/54	1752/53	1751/52	1750/51	1749/50	1748/49	1747/48	1746/47	1745/46	1744/45	1743/44	1742/43	1741/42	1740/41	1739/40	1738/39	1737/38	1736/37	1735/36	1734/35	1733/34	1732/33	1731/32	1730/31	1729/30	1728/29	1727/28	1726/27	1725/26	1724/25	1723/24	1722/23	1721/22	1720/21	1719/20	1718/19	1717/18	1716/17	1715/16	1714/15	1713/14	1712/13	1711/12	1710/11	1709/10	1708/09	1707/08	1706/07	1705/06	1704/05	1703/04	1702/03	1701/02	1700/01	1699/00	1698/99	1697/98	1696/97	1695/96	1694/95	1693/94	1692/93	1691/92	1690/91	1689/90	1688/89	1687/88	1686/87	1685/86	1684/85	1683/84	1682/83	1681/82	1680/81	1679/80	1678/79	1677/78	1676/77	1675/76	1674/75	1673/74	1672/73	1671/72	1670/71	1669/70	1668/69	1667/68	1666/67	1665/66	1664/65	1663/64	1662/63	1661/62	1660/61	1659/60	1658/59	1657/58	1656/57	1655/56	1654/55	1653/54	1652/53	1651/52	1650/51	1649/50	1648/49	1647/48	1646/47	1645/46	1644/45	1643/44	1642/43	1641/42	1640/41	1639/40	1638/39	1637/38	1636/37	1635/36	1634/35	1633/34	1632/33	1631/32	1630/31	1629/30	1628/29	1627/28	1626/27	1625/26	1624/25	1623/24	1622/23	1621/22	1620/21	1619/20	1618/19	1617/18	1616/17	1615/16	1614/15	1613/14	1612/13	1611/12	1610/11	1609/10	1608/09	1607/08	1606/07	1605/06	1604/05	1603/04	1602/03	1601/02	1600/01	1599/00	1598/99	1597/98	1596/97	1595/96	1594/95	1593/94	1592/93	1591/92	1590/91	1589/90	1588/89	1587/88	1586/87	1585/86	1584/85	1583/84	1582/83	1581/82	1580/81	1579/80	1578/79	1577/78	1576/77	1575/76	1574/75	1573/74	1572/73	1571/72	1570/71	1569/70	1568/69	1567/68	1566/67	1565/66	1564/65	1563/64	1562/63	1561/62	1560/61	1559/60	1558/59	1557/58	1556/57	1555/56	1554/55	1553/54	1552/53	1551/52	1550/51	1549/50	1548/49	1547/48	1546/47	1545/46	1544/45	1543/44	1542/43	1541/42	1540/41	1539/40	1538/39	1537/38	1536/37	1535/36	1534/35	1533/34	1532/33	1531/32	1530/31	1529/30	1528/29	1527/28	1526/27	1525/26	1524/25	1523/24	1522/23	1521/22	1520/21	1519/20	1518/19	1517/18	1516/17	1515/16	1514/15	1513/14	1512/13	1511/12	1510/11	1509/10	1508/09	1507/08	1506/07	1505/06	1504/05	1503/04	1502/03	1501/02	1500/01	1499/00	1498/99	1497/98	1496/97	1495/96	1494/95	1493/94	1492/93	1491/92	1490/91	1489/90	1488/89	1487/88	1486/87	1485/86	1484/85	1483/84	1482/83	1481/82	1480/81	1479/80	1478/79	1477/78	1476/77	1475/76	1474/75	1473/74	1472/73	1471/72	1470/71	1469/70	1468/69	1467/68	1466/67	1465/66	1464/65	1463/64	1462/63	1461/62	1460/61	1459/60	1458/59	1457/58	1456/57	1455/56	1454/55	1453/54	1452/53	1451/52	1450/51	1449/50	1448/49	1447/48	1446/47	1445/46	1444/45	1443/44	1442/43	1441/42	1440/41	1439/40	1438/39	1437/38	1436/37	1435/36	1434/35	1433/34	1432/33	1431/32	1430/31	1429/30	1428/29	1427/28	1426/27	1425/26	1424/25	1423/24	1422/23	1421/22	1420/21	1419/20	1418/19	1417/18	1416/17	1415/16	1414/15	1413/14	1412/13	1411/12	1410/11	1409/10	1408/09	1407/08	1406/07	1405/06	1404/05	1403/04	1402/03	1401/02	1400/01	1399/00	1398/99	1397/98	1396/97	1395/96	1394/95	1393/94	1392/93	1391/92	1390/91	1389/90	1388/89	1387/88	1386/87	1385/86	1384/85	1383/84	1382/83	1381/82	1380/81	1379/80	1378/79	1377/78	1376/77	1375/76	1374/75	1373/74	1372/73	1371/72	1370/71	1369/70	1368/69	1367/68	1366/67	1365/66	1364/65	1363/64	1362/63	1361/62	1360/61	1359/60	1358/59	1357/58	1356/57	1355/56	1354/55	1353/54	1352/53	1351/52	1350/51	1349/50	1348/49	1347/48	1346/47	1345/46	1344/45	1343/44	1342/43	1341/42	1340/41	1339/40	1338/39	1337/38	1336/37	1335/36	1334/35	1333/34	1332/33	1331/32	1330/31	1329/30	1328/29	1327/28	1326/27	1325/26	1324/25	1323/24	1322/23	1321/22	1320/21	1319/20	1318/19	1317/18	1316/17	1315/16	1314/15	1313/14	1312/13	1311/12	1310/11	1309/10	1308/09	1307/08	1306/07	1305/06	1304/05	1303/04	1302/03	1301/02	1300/01	1299/00	1298/99	1297/98	1296/97	1295/96	1294/95	1293/94	1292/93	1291/92	1290/91	1289/90	1288/89	1287/88	1286/87	1285/86	1284/85	1283/84	1282/83	1281/82	1280/81	1279/80	1278/79	1277/78	1276/77	1275/76	1274/75	1273/74	1272/73	1271/72	1270/71	1269/70	1268/69	1267/68	1266/67	1265/66	1264/65	1263/64	1262/63	1261/62	1260/61	1259/60	1258/59	1257/58	1256/57	1255/56	1254/55	1253/54	1252/53	1251/52	1250/51	1249/50	1248/49	1247/48	1246/47	1245/46	1244/45	1243/44	1242/43	1241/42	1240/41	1239/40	1238/39	1237/38	1236/37	1235/36	1234/35	1233/34	1232/33	1231/32	1230/31	1229/30	1228/29	1227/28	1226/27	1225/26	1224/25	1223/24	1222/23	1221/22	1220/21	1219/20	1218/19	1217/18	1216/17	1215/16	1214/15	1213/14	1212/13	1211/12	1210/11	1209/10	1208/09	1207/08	1206/07	1205/06	1204/05	1203/04	1202/03	1201/02	1200/01	1199/00	1198/99	1197/98	1196/97	1195/96	1194/95	1193/94	1192/93	1191/92	1190/91	1189/90	1188/89	1187/88	1186/87	1185/86	1184/85	1183/84	1182/83	1181/82	1180/81	1179/80	1178/79	1177/78	1176/77	1175/76	1174/75	1173/74	1172/73	1171/72	1170/71	1169/70	1168/69	1167/68	1166/67	1165/66	1164/65	1163/64	1162/63	1161/62	1160/61	1159/60	1158/59	1157/58	1156/57	1155/56	1154/55	1153/54	1152/53	1151/52	1150/51	1149/50	1148/49	1147/48	1146/47	1145/46	1144/45	1143/44	1142/43	1141/42	1140/41	1139/40	1138/39	1137/38	1136/37	1135/36	1134/35	1133/34	1132/33	1131/32	1130/31	1129/30	1128/29	1127/28	1126/27	1125/26	1124/25	1123/24	1122/23	1121/22	1120/21	1119/20	1118/19	1117/18	1116/17	1115/16	1114/15	1113/14	1112/13	1111/12	1110/11	1109/10	1108/09	1107/08	1106/07	1105/06	1104/05	1103/04	1102/03	1101/02	1100/01	1099/00	1098/99	1097/98	1096/97	1095/96	1094/95	1093/94	1092/93	1091/92	1090/91	1089/90	1088/89	1087/88	1086/87	1085/86	1084/85	1083/84	1082/83	1081/82	1080/81	1079/80	1078/79	1077/78	1076/77	1075/76	1074/75	1073/74	1072/73	1071/72	1070/71	1069/70	1068/69	1067/68	1066/67	1065/66	1064/65	1063/64	1062/63	1061/62	1060/61	1059/60	1058/59	1057/58	1056/57	1055/56	1054/55	1053/54	1052/53	1051/52	1050/51	1049/50	1048/49	1047/48	1046/47	1045/46	1044/45	1043/44	1042/43	1041/42	1040/41	1039/40	1038/39	1037/38	1036/37	1035/36	1034/35	1033/34	1032/33	1031/32	1030/31	1029/30	1028/29	1027/28	1026/27	1025/26	1024/25	1023/24	1022/23	1021/22	1020/21	1019/20	1018/19	1017/18	1016/17	1015/16	1014/15	1013/14	1012/13	1011/12	1010/11	1009/10	1008/09	1007/08	1006/07	1005/06	1004/05	1003/04	1002/03	1001/02	1000/01	999/00	998/99	997/98	996/97	995/96	994/95	993/94	992/93	991/92	990/91	989/90	988/89	987/88	986/87	985/86	984/85	983/84	982/83	981/82	980/81	979/80	978/79	977/78	976/77	975/76	974/75	973/74	972/73	971/72	970/71	969/70	968/69	967/68	966/67	965/66	964/65	963/64	962/63	961/62	960/61	9
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20	23.3	2.1
25	2.88	—
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35	26.9	23.3
40	1.4	—
45	15.5	—
50	1,279	5
55	2	—
60	3.48	—
65	2.82	—
70	8.9	—
75	—	—
80	918.8	5.1
85	25.5	—
90	5.38	—
95	438.5	—
100	790.1	—
105	—	—
110	268.6	0.8
115	—	—
120	1.54	—
125	88.1	12.7
130	26.9	—
135	1	—
140	4.97	—
145	—	—
150	1,882	5.0
155	1.97	—
160	—	—
20	5.78	12.0
25	75.8	1.3
30	194.8	2.3
35	15.1	5
40	—	—
45	4.95	—
50	1.48	—
55	—	—
60	—	—
65	19.3	—
70	2.43	—
75	—	—
80	1.44	—
85	—	—
90	4.63	—
95	2.87	—
100	0.88	—
105	0.97	—
110	2.02	—
115	1.07	—
120	—	—
125	918.3	5.1
130	24.9	1.3
135	5.38	—
140	438.5	—
145	790.1	—
150	—	—
155	268.6	0.8
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US Equity Gwth. . . . .	5.61	87	1.427	1.37
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\*Offer price includes an



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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar gains as G7 disappoints

THE DOLLAR strengthened on currency markets yesterday following the weekend meeting of finance ministers and central bankers of the Group of Seven industrial countries, writes Simon London.

The communiqué released after the G7 meeting said that the participants had reviewed recent developments in the foreign exchange markets and reaffirmed their desire for stable rates. However, this was not related to specific rates or broader policy goals.

The US unit rallied as soon as the statement was released, gaining ground in Tokyo and maintaining the firm tone through European trading.

From a New York finish of Y123.55 and DM1.6180 on Friday, the dollar rose to stand at Y124.37 and DM1.6040 by the Tokyo close. All through Asian trading, dealers pushed the dollar higher, although fears of a central bank intervention held the dollar below Y125 and DM1.6150.

Many analysts had been watching for more specific foreign exchange goals, such as a stronger yen to contain the Japanese trade surplus.

The tone of the statement was underlined by comments from Mr Yasushi Meino, Bank of Japan governor. He said that the G7 meeting had not discussed specific exchange rates.

In afternoon trading in London, the dollar pushed through resistance levels seen in Tokyo to peak at DM1.6180 and Y125.40. The US currency closed in London at DM1.6180, DM1.6185 on Friday, and Y125.40 from Y123.30. The dollar was also strong against sterling, ending at \$1.7765, from \$1.8055 on Friday. In New York the US unit ended at DM1.6105, Y125.25 and \$1.7820.

Many economists are expecting the US unit to push ahead this week, testing resistance at DM1.6350, its peak during the last rally earlier this month, and Y127, the level at which the US and Japanese authorities intervened on January 17. Elsewhere, the D-Mark weakened as dealers focused on potential industrial disputes in Germany. The German currency fell to Y77.60, having traded over Y78.00.

The weakness of the D-Mark against the Spanish peseta, which appreciated to Ptas83.00 from the Ptas83.20 level seen last week, raised sterling's floor within the European exchange rate mechanism.

The pound's floor, determined by its maximum permitted divergence from the strongest currency in the system, was yesterday around DM2.8655.

However, sterling was buoyant following the publication of opinion polls at the weekend giving the UK Conservative government a narrow lead.

Current account figures for December also supported the UK currency. The data showed the current account deficit narrowed to \$338m in December, from \$630m in November. The deficit for the whole of last year was \$5.78bn, against an official forecast of \$5.5bn.

Sterling traded above DM2.87 for most of the day, finishing at DM2.8725 in London, from DM2.8650 on Friday.

Estimated volume: Cals 990 Pts 530

Previous day's open: Cals 6674 Pts 5372

Estimated volume: Cals 1400 Pts 129

Previous day's open: Cals 32704 Pts 2464

Estimated volume: Cals 54 Pts 262

Previous day's open: Cals 2371 Pts 2334

Estimated volume: Cals 4640 Pts 4715

Previous day's open: Cals 14239 Pts 20047

Estimated volume: Cals 1561 Pts 3140

Previous day's open: Cals 101494 Pts 30082

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Estimated volume: Cals 1561 Pts 31



## CANADA

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## FT SURVEYS

**Price data supplied by Telekurs.**

**NOTES** - Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xs Ex all.

Owing to problems at Telekurs, some N.American stocks are temporarily broken market on early.



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page



**NASDAQ NATIONAL MARKET**[illegible]

## 4:00 pm prices January 27

Stock	Div.	Yld.	High	Low	Close	Chng.	Stock	Div.	Yld.	High	Low	Close	Chng.	Stock	Div.	Yld.	High	Low	Close	Chng.	Stock	Div.	Yld.	High	Low	Close	Chng.
Adm. Corp.	1	1	170	24	24	+	Chiles	3	357	18	3	3	+	Weston	0.24	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
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Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+	Chiles	0.14	1201	7	7	7	+
Adm. Corp.	0.18	1	170	24	24	+	Chiles	0.01	1	170	24	24	+	Weston	0.15	33	72	24	24	+</							

*Data source: Chief Executives in Europe 1990*

THE CLIPPING

**ARE  
YOU  
GETTING  
YOUR  
FT  
COMMENT  
DAILY?**



## AMERICA

## Dow subdued ahead of State of Union address

## Wall Street

SHARE prices were becalmed in light trading yesterday, as investors remained on the sidelines ahead of today's important State of the Union address to Congress by President George Bush, writes Patrick Harverton in New York.

At the close the Dow Jones Industrial Average was up 7.53 at 3,240.61, having spent the day only a few points above Friday's close. The more broadly based Standard & Poor's 500 ended a slight 0.50 down at 414.98, while the Nasdaq composite of over-the-counter stocks lost 3.88 to 621.00.

Turnover on the New York SE amounted to 191m shares, while rises and falls were almost evenly matched. After last week's declines, the market opened in a subdued mood yesterday. All eyes were fixed on the US president's State of the Union speech, scheduled for 8pm New York time this evening.

Mr Bush is expected to unveil a package of tax cuts aimed at stimulating the sluggish economy. Although tax cuts should be generally positive for the stock markets, there is concern that any measures would lead to a widening in the budget deficit, which could prompt a sharp rise in bond yields.

Diversified securities house Merrill Lynch shed 2 1/4 to 86 1/4 in spite of record full-year earnings of \$696m, achieved with the help of a \$171m fourth-quarter profit.

The record figures had been expected in the wake of buoyant securities markets in the final quarter, and the decline in the price yesterday was put down to profit-taking following the stock's strong performance over the past six weeks.

L.A. Gear slipped 3 1/4 to \$15 1/4 after the company formally announced the retirement of Mr Robert Greenberg, its founder, from the posts of chairman and chief executive.

The sports-shoe maker will unveil a new marketing cam-

aign this week. Of its rivals, Nike eased 3/4 to \$72 1/4 and Reebok International also lost 3/4 to \$30 1/4.

Chrysler enjoyed a rare gain, advancing 1 1/4 to \$15 on the back of a reported upgrading from Shearson Lehman, the broking house. The remaining members of the Big Three car manufacturers also firmed, with General Motors adding 1/4 to \$34 1/4 and Ford rising 1/4 to \$32 1/4.

On the over-the-counter market, Hutchinson Technology climbed 1/4 to \$24 1/4 after reporting net income of 54 cents a share for the first fiscal quarter, well up on the 35 cents a share earned at the same time a year ago.

Going the other way on the earnings front was Arkansas Freightways, which tumbled 3/4 to \$32 1/4 on news of a fourth-quarter profit of 20 cents a share, down from 33 cents earned a year earlier.

**Canada**

TORONTO stocks, after a firm opening, fell back to close with an easier bias on balance after moderate trading.

The composite index was finally 2 1/4 off at 3,638.5, while declining issues led advances by 308 to 267. Volume decreased to 23.3m shares from Friday's 26m.

The index was ahead almost 15 points in the first half-hour of trading, but quickly settled back and then traded in a narrow range for the rest of the day.

Du Pont Canada "A" dipped 3/4 to C\$41 1/4. The company reported fourth-quarter earnings of C\$1.2m, or 46 cents a share, up from C\$10.3m, or 33 cents, a year earlier.

**SOUTH AFRICA**

JOHANNESBURG closed narrowly mixed in dull trading. The all-gold index closed 15 at 1,278, while the non-gold index held steady. South African gold gained R1.50 to R72.50. The industrial index shed 8 to 4,428, while the all-share index shed 3 to 3,623.

## EUROPE

## Bourses move up as Volvo's strategy comes under fire

MARKETMAKERS saw buying from domestic sources as bourses, by and large, improved yesterday, writes Our Markets Staff.

FRANKFURT broadened its switch to cyclical stocks as opinion spread that a steel strike need not necessarily be bad for the industry, or for the German economy.

Goldman Sachs yesterday decided to move German equities from underweight to market weight, advancing four reasons:

● valuation, given the rally in German bonds and the underperformance of its equity market last year;

● the probability that the Bundesbank will lower interest rates this year;

● its expectation of GNP growth, and inflation, of 2.5 per cent and about 3 per cent respectively in 1992; and

● "distinct signs" of improvement in the economy.

Chemicals, steels and engineers did well as the FAZ index rose 6.87 to 884.20 at mid-session, and the DAX closed 18.81 higher at 1,888.58, close to the top of its 1992 trading range.

Volume was thought to have risen from Friday's DMBM.

In carmakers, Volkswagen jumped DM11 to DM333.50 after an MM Warburg recommendation. VW is up 16 per cent from this year's start.

PARIS opened the February market in optimistic mood but turnover was disappointing at FF1.85bn after Friday's FF2.2bn. The CAC 40 index rose 19.35 to 1,869.27.

Euro Disney was the day's

STOCKHOLM decided that there was scant logic in the proposed merger between Volvo and Procordia. The Swedish Shareholders Association, which represents 80,000 private investors, said the proposal was "probably a bad deal for shareholders in both companies".

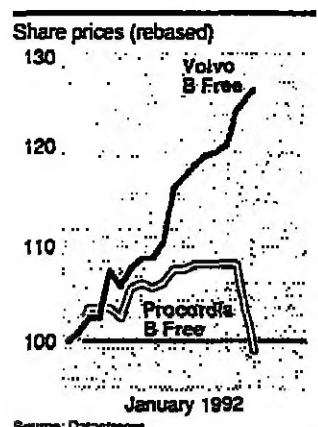
Volvo free Bs initially rose SKr27 to SKr420 but closed only SKr5 up at SKr398, while Procordia free Bs fell SKr14 to SKr158. The Affarsvarden General index rose 2.60 to 987.30 in turnover of SKr611m after SKr632m.

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most active stock as it rose FF14.80 to FF146.50 on a favourable interview with a senior company official by a US news agency.

Eurotunnel was one of the day's biggest gainers as it picked up FF12.35 or 6.6 per cent to FF116 on the back of the "easy money" argument and buy recommendations from Paribas and French financial newspapers. The UK broker Charterhouse has recommended a switch out of F & O

and into Eurotunnel. Profit-taking wiped FF16 off the oil refiner Total to FF104.7 in spite of a pleasing 41 per cent rise in 1991 net attributable profit.

MILAN traded quietly ahead of Fiat's preliminary 1991 results which are due this afternoon. The Comit index fell 1.42 to 547.68 in turnover estimated at slightly below Friday's L102bn.

Analysts said the market had already discounted disappointing figures from Fiat and was instead waiting for the company's view on 1992, which some expected to be on the cautious side. The stock ended L25 to L5.170.

In the insurance sector, General added L10 to L31.210 while Has rose L55 to L21,600. In a report on the non-life insurers issued late last week, Nomura advised selective profit-taking because in its view the sector is due for a period of underperformance.

Among smaller stocks trading in ABB Tecnomasio, the mechanical engineering group, was delayed because of an order imbalance following

news that its parent company was buying in the outstanding 3.25 per cent at 13.100 a share. The share later jumped L388 or 21 per cent to L13,043.

OSLO recovered a little, the all-share index gaining 9.38 at 453.00. Norsk Hydro rose NKr5.5 to NKr151. Higher prices for North Sea oil pushed Saga Petroleum free shares up NKr6.5 to NKr97.5. HELSINKI rose L86 per cent on strong demand for industrials, the Hex index adding 14.3 at 679.9 in turnover of FF360.1m.

AMSTERDAM remained quiet, the CBS Tendency adding just 0.7 to 121.4. Turnover was thin. There was increased demand for cyclical, such as the chemical group, DSM and Akzo: DSM gained

FI.1.60 to FI.105.30 and Akzo FI.1.30 to FI.133.60. The announcement of an appointment to Nedlloyd's supervisory board, expected today, was being awaited, analysts said.

MADRID's general index rose 2.25 to 253.41 with interest in both Endesa and Repsol stocks. Endesa put on FI.1.35 to FI.143.975. Repsol rose FI.1.30 to FI.143.975. Telefonos fell FI.1.10 to FI.143.975. Its dividend would remain unchanged.

ISTANBUL rose L5 per cent on active buying following the favourable results from the Social Democrat Populist Party's weekend congress. The 75 share index gained 90.68 to 5,112.74.

**FT-SE Eurotrack 100 - Jan 27**

Hourly changes:

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	Close
1138.33	1138.66	1141.99	1141.84	1141.44	1142.41	1143.05	1142.82

Day's Low 1143.34 Day's High 1143.97

Jan 24	Jan 23	Jan 22	Jan 21	Jan 20
1131.86	1131.86	1134.07	1138.99	1135.91

Base value 100 (Jan 1987)

## ASIA PACIFIC

## Nikkei retreats in thin trading as G7 fails to excite

## Tokyo

SHARE PRICES retreated in thin trading yesterday, as volume on the first section fell to 17m shares due to the lack of fresh news, writes Emma Trowbridge in Tokyo.

The Nikkei average lost 56.04 to 21,077.11 after a day's high of 21,078.87 and low of 20,856.61. The index fell below 21,000 just before the morning close on light selling.

Trading volume reached its lowest level since December 8. Declines led advances by 804 to 322 with 195 issues unchanged. A total of 100 stocks fell to their lowest levels since the beginning of last year. The Topix index of all first section shares shed 10.29 to 1,574.47, but in London the ISE/Nikkei index edged up 0.89 to 1,510.53.

Market participants, hoping that the outcome of the Group of Seven finance ministers' meeting would fuel trading, were disappointed. "Investors

will neither buy nor sell at current levels," said one trader.

However, some analysts see the current low volumes as a positive signal for the market. Mr Craig Chandler of UBS Phillips & Drew said:

"The inactivity reflects a stall in the market. Investors are waiting for money to stop leaving the market."

In the week ending January 17 individuals and corporate investors, who have been net sellers of equity during the past year, became net buyers.

Foreign investors, who were aggressive buyers last year, are also expected to commit further funds into Japanese stocks. "Foreigners' asset weightings in Japanese stocks are still light," said Mr Paul Muller at Schroder Securities.

Nippon Telegraph and Telephone declined ¥12,000 to an all-time low of ¥68,000. Some investors have been discouraged by reports of cuts in long distance telephone rates. Market participants are also worried about an over-supply of

shares, as the Ministry of Finance has included proceeds from the sale of 500,000 shares for the year ending March 1993 into the fiscal budget.

International blue chips, firm on foreign interest last week, lost ground on light profit-taking. FDK retreated ¥900 to ¥4,450 and NEC ¥10 to ¥1,150. However, some bargain hunting lifted Fujitsu ¥8 to ¥790 and Sony ¥40 to ¥1,280. The company expects earnings for the current year to reach ¥800m thanks to rising bear sales.

In Osaka, the OSE average ended 122.48 down at 2,502.91 in volume of 41.4m shares. Machinery and high-technology issues declined, while some domestic demand-related issues held firm.

**Roundup**

PROFIT taking in Hong Kong was the outstanding feature in the region yesterday. Australia was closed for a holiday.

HONG KONG saw profits taken again, the Hang Seng index losing 45.35 to 4,554.73 in turnover down from HK\$3.02bn to a still-active HK\$2.05bn. Utilities suffered the session's biggest falls, followed by banks.

Some fund managers were keen to realise profits before next week's Chinese New Year holiday, which will close the market for three days. Volume was diminished by nervousness ahead of the State of the Union address tonight by President George Bush.

SEBUI ended higher on renewed expectations of improved relations between North and South Korea. The composite index gained 10.82 to 875.11 in turnover of Won\$37.9m, after Won\$41.1m.

Reports that North Korean leaders had agreed to set up joint ventures with South Korean companies boosted construction and trade-related issues. Hyundai Engineering & Construction, the nation's largest construction company, advanced by its

upper limit of Won\$800 to Won\$1,800.

NEW ZEALAND saw some block trades, but trading was depleted by holidays in Auckland and in Australia, where most local blue-chip issues are also listed. The NZSE-40 index improved 5.68 to 1,487.62 after a fall of 1.6 per cent last week. Turnover increased from Friday's NZ\$20.8m to NZ\$24.7m.

White goods manufacturer Fisher and Paykel topped the active list with 2.3m shares traded and closed steady at NZ\$3.10 after London-based fund manager Morgan Stanley Asset Management said it had raised its stake in F&P from 17.4 to 19.4 per cent.

SINGAPORE closed mixed in quiet trading. The Straits Times Industrial index put on 3.50 to 1,545.32 in the turnover of S\$14.1m (S\$197.2m). Trading in KUALA LUMPUR was also dull, the composite index rising 1.77 to 570.55 in turnover of M\$66.7m (M\$75.5m).

MANILA extended its recent downward correction, the composite index sliding 10.46 to 1,268.20 as profit-takers reacted to President Corason Aquino's endorsement of Mr Fidel Ramos, her former defence secretary, as a candidate to succeed her in the May presidential elections. Combined turnover on Manila's two bourses was down from 187.5m pesos to 150.4m pesos.

TAIWAN focused on small companies as the weighted index climbed 4.50 to 5,341.48, after a rise of 55.32 on Saturday. Turnover expanded from T\$55.6m to T\$60.5m. Observers said the index was boosted mainly by strength in composites and financials, most of which have been lagging.

BANGKOK suffered its biggest one-day loss in two months on heavy profit-taking in finance and property issues. The SET index finished 9.70 off at 771.93 after turnover of B\$1.7bn.

BOMBAY rose on speculative buying, the BSE index ending 32.75 ahead at 2,172.11 after a day's high of 2,181.55.

## China factor behind Hong Kong's rally

MARKETS IN PERSPECTIVE						
	% change in local currency	% change in US \$	% change in UK £	% change in JPY ¥	% change in AUD \$	% change in NZD \$
1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992	Start of 1992
Austria	-0.43	+5.81	-0.75	+4.82	+2.25	-0.36
Belgium	-0.02	+0.29	+1.78	+4.59	+2.20	-0.80
Denmark	-0.39	+4.08	+20.84	+3.64	+2.98	-0.85
Finland	-3.26	+21.15	+6.84	+14.90	+12.25	+8.31
France	-0.34	+7.34	+21.11	+4.81	+3.99	+0.35
Germany	-0.29	+8.54	+15.20	+8.02	+4.59	+1.31
Ireland	-2.69	+7.80	+27.91	+5.08	+4.74	+1.07
Italy	+0.16	+12.30	+13.72	+9.70	+6.28	+5.44
Netherlands	+0.03	+6.19	+24.14	+5.74	+4.77	+1.10
Norway	-0.85	+8.14	+3.91	+7.14	+6.14	+2.42
Spain	-0.06	+6.54	+15.95	+2.92	+2.73	-0.67
Sweden	+0.18	+8.40	+15.77	+7.78	+7.07	+3.33
Switzerland	+0.03	+8.80	+27.04	+5.68	+5.67	+1.96
UK	-1.14	+4.29	+18.85	+1.04	+1.04	-2.46
EUROPE	-0.06	+8.04	+18.89	+5.72	+5.57	-0.26
Australia	-3.82	+0.98	+26.24	-2.92	-2.16	-5.58
Hong Kong	+3.58	+0.89	+49.61	+7.78	+11.57	+8.05
Japan	-0.86	-5.34	-7.35	-7.72	-5.08	-6.47
Malaysia	+0.02	+3.39	+11.44	+2.47	+4.48	+4.86
New Zealand	-1.85	-0.09	+18.88	-2.36	-1.28	-2.26
Singapore	+0.03	+5.62	+33.26	+4.39	+7.02	+3.28
Canada	-0.26	+5.55	+10.79	+3.84	+8.39	+2.66
USA	-0.77	+2.22	+25.05	-0.25	+3.36	-0.25
Mexico	+1.29	+13.46	+187.28	+10.48	+13.16	+9.20
South Africa	-2.36	+5.77	+42.39	+5.26	+6.67	+2.93
WORLD INDEX	-0.74	+1.62	+13.01	-1.22	+1.56	-2.90

(Based on January 26, 1992. Copyright: The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries)

## By John Pitt

The "China factor" gave momentum to Hong Kong's record-breaking advance last week, on reports, later denied by the Chinese authorities, that charges against the former Chinese premier Zhao Ziyang had been dropped.

Investors pulled back on Friday and, indeed, again yesterday, but this profit-taking was still perceived to reflect a general rally ahead of the Chinese New Year next Tuesday.

Mr David Bates of Asia Equity comments that the China factor was very strong, backed by news from the mainland that China was looking to speed up reforms with further economic liberalisation to promote growth. This was particularly welcomed by the market since most of China's exports go through the colony.

However, further profit-taking was expected to be in evidence this week as money is taken out of the market prior to the new year celebrations, during which factories will close for a two-week holiday.

Australia recorded the largest fall on the Pacific Rim, with the bond market particularly sensitive to concern that interest rates might not continue to come down.

The markets are also nervous about the fiscal package which the Keating government is due to unveil in late February or early in March. Australia's interest rates remain high, although some analysts feel that they could come back.

Quarterly inflation figures are due to be published tomorrow. Europe remained generally flat. The biggest changes were seen in Norway and Finland which reversed the strength of the week before as they recorded falls of 5.9 and 3.5 per cent respectively.

Norway was hit by news that Norsk Hydro, which accounts for 22 per cent of Oslo's equity market capitalisation, was taking a special charge in the fourth quarter.

Analysts note that Finland has started to drift back after the new year spree of bargain hunting, and that investors are beginning to focus on preliminary results which will start to come out in March.

## FT LAW REPORTS

## Acceptance of letter of credit completes oil rig transfer

DAVY OFFSHORE LTD v EMERALD FIELD CONTRACTING LTD  
Queen's Bench Division  
(Commercial Court)  
Mr Justice Hobhouse  
January 21 1992

TITLE TO North Sea oil equipment transferred under a supply contract which provides for completion on payment by letter of credit, passes when the credit is drawn on the accepting bank on tender of contractually specified documents, irrespective of any time lapse between draw-down and actual delivery of cash.

Mr Justice Hobhouse so held when giving judgment for the plaintiff supplier, Davy Offshore Ltd, on its claim against Emerald Field Contracting Ltd under a sub-contract for the supply of oil field equipment.

HIS LORDSHIP said that Emerald was a contractor under agreements to supply equipment and services to licensees of the right to explore and extract oil from the Emerald Oil Field in the North Sea.

In order to fulfil its contractual obligations it entered into a supply contract dated November 30 1988 with Davy Offshore.

Davy agreed to supply Emerald with a floating production facility and single point mooring system (FPSO).

The overall structure of the contract provided for phases of the work and the provision of certificates. At the completion of each phase the FPSO would be towed to the field and handed over to Emerald.

Originally completion was to be August 5 1990 but work was delayed and would not be finished until summer 1992.

Clause 18.1(a) of the contract provided that title to the work and facilities should be transferred to Emerald "immediately upon completion and payment of the amount due... at completion as referred to in clause 17.2".

By clause 18.1(b) Davy warranted that at time of transfer and vesting of title, the work and facilities would be free of all mortgages, liens or other encumbrances; and by 18.1(c) it agreed that at time of transfer it would deliver to Emerald a duly executed bill of sale in British form (statutory form 10A) in respect of the FPSO, reflecting the warranty.

The contract and the form therefore contemplated that by the time of transfer of title, consideration for transfer would have been paid, and all mortgages and other charges would have been paid off.

Clause 17.2 provided that on completion Emerald should pay Davy 95 per cent of the contract price, the 5 per cent balance to be paid three months and five banking days after completion.

Clause 17.5 of the contract provided that Emerald's obligation to pay under clause 17.2 might be satisfied by Davy drawing under a letter of credit.

Accordingly, for the purposes of clauses 17.2 and 18.1, the moment of payment was when the bank accepted documents tendered.

Under the letter of credit, Davy would receive the money until business days after the relevant documents had been received by the bank. Thus there was a time lapse between date of draw-down under the letter of credit and actual delivery of cash.

The documents Davy was required to produce were the first qualifying certificates together with documents referred to in it.

Others to be tendered at the same time corresponded to documents referred to in clause 36 of the contract. They included the completion certificate, a bill of sale in British form, the final stage certificate, and a "section 10 certificate" from the secretary of state for trade and industry confirming that all conditions of the guarantee issued under section 10 of the Industry Act 1972 had been satisfied or waived.

The scheme of clause 36.3.1 was clear. There had to be satisfactory completion or works and facilities. Davy had to produce to Emerald the various listed documents. Implicitly, Emerald had to be satisfied that they complied with the requirements of the contract. It then had to issue the completion certificate, countersigning the final stage certificate and obtain a section 10 certificate.

It would return all the documents to Davy, which would then return them to the bank under the letter of credit.

Davy submitted that title in the FPSO did not pass until it had drawn on the letter of credit, because until it had done so payment under clause 17.2 of "all that is due... at

completion" would not have been made.

Emerald said the amount due at completion did not include sums payable under the letter of credit, since they were only to be paid after completion - it only included cash payments to be made at time of completion. It said that under clause 36.3.1 completion occurred when the documents to be provided by Davy were received by Emerald, and at that time sums were not payable under the letter of credit.

The significance of the arguments derived from the fact that if Davy did not receive the 95 per cent before paying with title